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GENERAL

North-South Differences Seen on Increase

91CM0253B Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese No 2,
14 Jan 91 pp 32-33

[Article by Wang Chu (3769 2612), senior research fellow at the Institute on World Development]

[Text] With the huge changes in world affairs, the economic and political differences and contradictions between North and South are likely to increase and the disparity between the two regions is likely to expand even more. Because of the great economic difficulties of the United States and the Soviet Union, changes in their aid to the Third World are likely to occur, thereby reducing the political leeway of developing countries and affecting their economies even more. The economic difficulties in many developing countries have been exacerbated. With the debt crisis worsening, the gap between rich and poor continually expanding, and lack of social stability, their plight is extremely difficult. At present, with the rapidly developing integration of developed countries into economic groups, with the specter of economic recession again making its appearance in the West, and with the increased oil prices created by the Gulf crisis, Third World economies are likely to be affected even more. Under circumstances in which the developed countries are fostering economies based on high technology and the gap between North and South is widening, the South will be in an even more unfavorable position with respect to the world economy.

Along with the deepening of the South's economic difficulties, the decline in living standards of the masses, and the rise of nationalism and religious feelings, various contradictions within certain developing countries are intensifying and their political situation is becoming unstable. Territorial, racial, religious, and immigration disputes between some nations are becoming more acute. These old and new disputes and contradictions can, under certain conditions, erupt to create regional unrest, confrontations, and even South-South conflicts and crises and North-South conflicts and crises. The Gulf crisis was undoubtedly caused by Iraq dispatching troops to invade and occupy Kuwait. However, it also gave expression to various profound differences and contradictions that have accumulated over a long time in the Middle East, a region abounding in oil and major strategic locations. The same kind of unrest and crises are also fermenting and lying concealed in other such regions, especially those that have important resources and are strategically located and where there is political unrest and unequal distribution between rich and poor.

There has been a great deal of disparity in the economic and political growth of developing countries in the South, and the gap between them is widening. The economic growth of Asian-Pacific developing countries and regions has been quite rapid in recent years,

exceeding that of other regions of the world. According to statistics from international organizations, the average economic growth in 1989 for the 12 countries and regions of the Asian-Pacific region was 6.4 percent. In 1990, it is estimated at 5.6 percent; it is estimated that the rate of growth will slow in 1991, because of the Gulf crisis, the increase in oil prices, and a possible U.S. recession. However, it still could reach 5 percent. Based on their economic situations, international opinion holds that the "four little tigers" have already "graduated" from being developing regions. The economic development of some Southeast Asian countries, especially Thailand and Malaysia, has been quite fast. Japan's large investment, as well as the continual increase in investment by the "four little tigers," could also enable both Thailand and Malaysia to "graduate" within 10 years or so. However, the heavy reliance of Asian-Pacific countries on the U.S. market for their exports makes them easily susceptible to the U.S. economic situation and protectionism. Their differences and contradictions are increasing.

There are also a number of countries and regions whose economic development has already established a certain base and whose political situation is relatively stable. They also possess certain advantages, such as large markets, large amounts of important natural resources, and strategic location, making them candidates for foreign aid and preferential conditions. The economies of these countries and regions will maintain varying degrees of growth and will achieve substantial economic and technical progress. The oil-rich regions of the Middle East, which are located on vital communications lines between Europe and Asia, have always been regarded by the United States and the EC as an important flank of Europe. Because of changes in the price of oil, the Middle East region, especially the oil-producing countries, saw rapid economic growth in the seventies and early eighties. In recent years they have declined somewhat. However, a number of countries still enjoy growth of 2-5 percent. Of course, the oil-producing countries achieved a great deal of success in building their economies. However, with income from oil accounting for the major portion of their finances, there is a great deal of fragility. The economies of some of the large Latin American countries, which grew rapidly in the seventies, were able to lay down a certain economic base. However, in recent years, their economic difficulties have mounted, having suffered from the debt crisis. The United States, being quite anxious about the economic and political turmoil in its backyard, has proposed a number of Latin American debt-reducing measures—all to little avail.

A number of developing countries, especially the least developed countries where economic growth has been slow, which have had a number of internal problems, whose situations have been unstable, and which have been neglected by the developed countries and international organizations, are also going to find it hard now on to make any changes—given the fact that aid is

being reduced. The situations of these countries and regions are the most difficult and will possibly become even more serious later on. These include certain African countries south of the Sahara, certain countries in Central and South America, and certain countries in South and West Asia.

Economic growth in the North is also quite uneven, and the gaps are widening. The internal economic difficulties of the Soviet Union are deepening, its food and the daily necessities are in serious short supply, its nationalities crisis is worsening, and its social order is chaotic. There is some question how much aid the Soviet Union will, in the future, be able to give to developing countries. The United States will continue to promote global policies, trying hard to strengthen its world leadership position. However, the U.S. economic situation is not good either. It has already reduced aid to cope with the Gulf crisis and, judging from that, will, in the future, be adjusting its distribution of aid according to changes in its situation. The economies of Japan and Germany are strong. However, they each have their own focus when it comes to foreign aid. The gap between East and West Europe is also quite wide. East Europe is now bogged down in economic, political, nationality, and social crises. It has requested massive amounts of economic aid from the United States and the EC. Although the West is willing to supply a certain amount of aid on a case-by-case basis, only with difficulty can it provide huge amounts. At present, with the specter of an economic recession again haunting the West, the war drums of the Gulf crisis becoming louder, oil prices rising, and the tide of East European and Soviet refugees causing apprehension, the West is faced with economies in distress and with a shortage of capital.

Confronted with huge changes in the world order, the developing countries and regions, irrespective of their economic and political differences, are all strongly demanding a new international economic and political order. Economically, they want equality, mutual benefit, and mutual assistance; politically, they want mutual respect, independence, sovereignty, and peaceful coexistence. This is why developing countries want to strengthen the North-South dialogue, increase understanding, eliminate differences and contradictions, and achieve a common prosperity. The developed countries have a responsibility and an obligation to help developing countries, especially distressed regions. Developing countries need the aid, investment, credit, and trade of developed countries, and developed countries likewise need the markets, raw materials, trade, and manpower of the developing countries. Dealings and assistance of this type have always been reciprocal. They are not unilateral charity. Developing countries also urgently want to strengthen South-South cooperation, including bilateral cooperation, regional cooperation, and cooperation with respect to the same products and raw materials, in order to genuinely help each other and achieve joint progress.

UNITED STATES

Shifts Seen in U.S. Military Strategy for 1990's

91CM0342A Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 171, 8 Jan 91 pp 15-17

[Article by Jin Gan (6855 2413): "The Changing U.S. Military Strategy"]

[Text] As a result of the tremendous changes in the international situation and domestic fiscal and economic difficulties, a readjustment of military strategy has been placed on the U.S. agenda in recent years. This is the largest postwar readjustment. Not only does it entail reductions in the numbers of military personnel, withdrawals from overseas bases, and some military unit structural reorganization, but major revisions and readjustments of strategic thinking and combat thinking are also being considered.

A. Background to Readjustment of U.S. Military Strategy

The United States believes that the Warsaw Pact has ceased to exist in all but name, and that the outbreak of nuclear war or conventional war in Europe between the United States and the USSR is becoming less and less likely. Although the USSR possesses a huge nuclear arsenal and conventional forces and has the power to contend with the United States, its threat to the United States has changed from a real one to a potential one. The international situation is changing from a bipolar confrontation between the United States and the USSR to multipolarization. During this period of change between the new and the old pattern, the threat is becoming diversified. The ethnic conflicts, the religious struggles, the border disputes, and the regional clashes that were long concealed during the cold war period are becoming increasingly pronounced. As a result of the proliferation of nuclear weapons and biological and chemical weapons manufacturing techniques, the security outlook for some areas is difficult to predict. In places that have obtained important strategic materials from the United States and the Western allies, there is a marked increase in the intentions of some regional powers to try to dominate and control small countries. For this reason, the emphasis of U.S. military strategy has to change from dealing with a major nuclear war and a major conventional war to dealing with medium- and low-intensity wars in the Third World.

The dramatic changes in Eastern Europe, the Gulf crisis, and German unification have accelerated the pace of readjustment of U.S. military strategy. The approaching dissolution of the Warsaw Pact bloc means that the United States no longer has to waste huge amounts of money to maintain enormous military deployments in Europe. During the "Desert Shield" operation to deal with Iraq, in particular, large contingents of U.S. forces in Europe were transferred to Saudi Arabia. A portion of U.S. frontline troops in Europe were converted into a

"troop commitment strategy" mobile force directed against outbreaks in a Third World region.

B. Main Features of the Current Readjustment of U.S. Military Strategy

1. Gradual Decrease in Military Expenditures and Tremendous Reduction in the Size of Military Forces

Inasmuch as the U.S. economy will not permit the United States to maintain the rate of increase in military expenditures of the Reagan years, concomitant with cuts in the USSR's military forces, the United States also took steps to reduce military expenditures and troops. U.S. military expenditures were \$290.3 billion in 1989, \$289.8 billion in 1990, and the defense budget that Congress passed for 1991 provides \$288.3 billion. After deducting for a 3-percent inflation rate in the United States, U.S. military expenditures during the past several years declined between 2.6 and 3 percent. The budget reduction bill that both houses of Congress passed in October 1990 calls for a \$170 billion reduction in military expenditures over a five-year period. Even though the Gulf crisis caused a jump in U.S. military expenditures within a short period of time, there is no change in the overall trend of reduction in military expenditures.

In a speech he made on 2 August 1990, President Bush declared that the United States will reduce its armed forces 25 percent by 1995, that is, cut 500,000 of the present 2.1 million active duty troops. This marks the lowest force level since 1950. In 1988, the U.S. Congress approved the closing and restructuring of 85 U.S. military bases, and in 1990, the United States announced the closing and restructuring of an additional 69 military bases, including 14 overseas bases in Italy, Greece, the United Kingdom, Germany, and South Korea. The U.S. Department of Defense has announced a reduction of between 14,000 and 15,000 troops in Asia in the next one to three years. This is approximately 11 percent of total U.S. forces in Asia. Following the outbreak of the Gulf crisis, the United States formally announced the transfer to the Gulf region of 100,000 forces stationed in Europe. It is anticipated that, once the crisis ends, these forces will not return to Europe.

2. Major Restructuring of Military Forces

As a result of the signing of an agreement to destroy intermediate- and medium-short-range nuclear forces, cutting back strategic nuclear forces by 30 percent, as well as negotiations for a second-stage reduction in tactical weapons and talks about the reduction of tactical nuclear weapons, major readjustments will be made in U.S. nuclear strategy and strategic forces. Currently, the United States is pondering establishment of a more mobile, more flexible, and more viable strategic system, that is, establishment of a nuclear-powered system made up of a land-based mobile missile and guided-missile system in combination with sea-based and air-based cruise missiles. This will require gradual abandonment of the use of immobile launching silos and of piloted

penetration bombers such as the B-1 and B-2. As the U.S. Center for Strategic Studies put it, this will mean formation of a "flexible surprise attack force."

Although funds for the Strategic Defense Initiative (SDI) have been reduced, U.S. determination to push ahead with SDI remains unshaken. The SDI first-stage "Brilliant Pebbles" plan has been successful. Batch production of that type missile can begin in 1993 and deployment completed. The former officer in charge of the SDI plan, Lieutenant General Ya-bo-la Han-sen [0068 0130 2139 4988 2773], disclosed that he was unable to discern any indication that Bush wants to abandon the first stage of SDI.

As regards conventional forces, some high-ranking U.S. military officers have said that the United States has no need to and cannot dogmatically stick to a "forward deployment strategy." One truly workable means of solution is to shift to a "troop commitment strategy," meaning that when a crisis occurs that threatens the United States or an area in which the United States has major interests, commitments of troops from the United States itself are to be relied upon primarily rather than the approximately 375 overseas bases and nearly 500,000 troops in forward deployment. On the basis of postwar experiences in participating in regional conflicts, they believe that the maximum size of forces taking part in future military activities may be the size used in the Korean war or the Vietnam war. During the Korean war, the maximum number of U.S. troops sent was 700,000 in six Army divisions, one Marine Corps division and one Marine Corp wing, and 32 Air Force tactical fighter attack squadrons. During the Vietnam War, the United States committed a maximum of 550,000 troops in seven Army divisions, two Marine Corps divisions and one Marine Corps wing, and 35 Air Force fighter attack squadrons and 11 fighter squadrons. During the present Gulf crisis, the United States plans to commit 430,000 troops in six Army divisions, six Marine Corps brigades, six carrier combat groups, and 1,700 aircraft.

The United States currently has 18 active Army divisions, 12 of which may be classified as heavy units (six mechanized divisions, four armored divisions, one infantry division, and one motorized division). Of the three Marine Corps divisions, one or two may be classified as heavy forces. The Air Force currently has 79 active fighter attack squadrons. This exceeds the numbers needed to deal with a sudden event. Reportedly, the size of U.S. forces is to be readjusted somewhat, five Army divisions, one Marine Corps division and the Marine Corps air wing, and 39 tactical Air Force squadrons of the present total being disbanded. Thus, U.S. military forces will still be able to deal with regional conflicts under the worst circumstances.

3. Readjustment and Strengthening of the Alliance System

In order to meet the new challenges of numerous changes in the international situation and the domestic shortage of military funds, the United States is gradually readjusting its existing alliance mechanism. It also plans to establish some new regional security systems, shaping a multiple field, multilevel alliance system in which the United States is the nucleus, in which NATO is the foundation, and that fully employs U.S. and Soviet cooperative strength and financial support from its allies.

There is to be a strengthening of the role of the United Nations globally, all possible being done to use to advantage the influence of the United Nations to enable the United States to gain international support when the United States takes military action. In Europe NATO has to be transformed, its political functions enhanced to enable it to become an organization that exerts centralized control over European political and military affairs, maintaining U.S. influence in Europe, keeping Germany in check, and guarding against conflicts that may occur in Europe. At the same time, efforts are to be made to get NATO to adopt a new "fire brigade" strategy in the post-cold war era so that it can dispatch forces outside Europe at any time to carry out tasks. In the Asian-Pacific region, U.S.-Japanese relations remain the cornerstone of the U.S. Asian-Pacific security strategy. The United States will ask Japan to enlarge the scale of the defense burden it carries, taking on responsibility for paying for all U.S. expenses for stationing forces in Japan, and bearing responsibility for part of the cost of U.S. actions in the Gulf. In addition, it is necessary to use the U.S.-Japan Security Treaty to control Japan. The United States intends to move to South Korea its joint forces military command, asking South Korea to double its payments to support U.S. forces stationed there. The United States plans to give up its Philippine bases within a few years. Right now, U.S. forces in the Asian-Pacific region are "not solely to contain the USSR." The component of preventing Japan from "filling the vacuum" is also increasing. In the Middle East, U.S. thinking about the kind of security system it wants to build is not clear, specifically whether it is to include all Arab countries and Israel, or whether it is to be based on bilateral relations. However, one point is perfectly certain and that is that the United States is determined to get forward bases or use rights to bases in that area. Negotiations for building new alliances is on the daily agenda. Since the United States no longer seeks long-term bases or the stationing of large U.S. forces abroad, the United States will pay special attention to the storage of strategic materials in these areas, and to gaining access or use rights to bases. This may make the signing of bilateral cooperative agreements easier.

3. Gulf Operations: A Proving Ground for U.S. Thinking About a New Strategic Structure

Future U.S. military force structure will maintain relatively small "semi-forward defense" deployments as a central reserve force that will rely mostly on flexible combat operations and rapid mobility to deal with

partial disturbances and regional clashes. These central reserve units deployed at home will be organized and train as light and heavy units. Light units will be able to move quickly and be able to fight for a long time once they reach their target area. Heavy units will be able to provide reserve forces for continued combat when where is danger of defeat or when specific conflicts worsen. The U.S. military believes the "Desert Shield" operation in the Gulf to be a practical test of U.S. thinking about the new strategic structure.

Gulf Operation Stage 1: Three lightly armed vanguard units reached Saudi Arabia within two days after receiving orders. The first heavily armed unit, a Marine brigade, took one week to reach Saudi Arabia. Two carrier formations sailed to waters near the Gulf the day that Iraq invaded Kuwait. Nine days later, they blockaded Iraq in the Gulf. Two fighter squadrons of 48 aircraft took off 24 hours after the President issued orders, landing in Saudi airfields after 15 hours of continuous flying. In less than 10 days, a total of nearly 50,000 troops were deployed, effectively halting the Iraqi Army's intentions to move farther south, and provided security support for the deployment of large numbers of followup forces.

Stage 2: The objective was for the Navy and Air Force to establish an aerial attack capability against Iraq. For a 20-day period after the 11th day, the U.S. Air Force sent more than 400 fighters and bombers of all kinds to the Gulf and surrounding areas. B-52 strategic bombers also flew from the United States and other bases to a U.S. Air Force Base on Diego Garcia Island. Three Navy carrier formations also sailed to battle positions in waters near the Gulf.

Stage 3: Two months later, U.S. sea, land, and air forces in the Gulf increased to more than 200,000, and most heavy equipment also arrived. The "Desert Shield" operation changed from a defensive posture to offensive deployments. After four months, U.S. forces in the Gulf had grown to four Army heavy armored divisions, three light armored divisions, five Marine brigades, 1,100 fighter planes, and six carrier groups—a force totaling 430,000.

The United States regarded the Gulf operation as a proving ground for military intervention in the Third World, using a gradual buildup of conventional combat strength to form a powerful threat for use in conjunction with diplomatic pressure to force the adversary to submit.

Overall, the U.S. military strategy for the 1990's will gradually shift from reliance on forward deployments to the dispatch of forces from the United States itself for the most part. This strategy requires that the U.S. military reconstitute Army, Navy, and Air Force strength to enable light and heavy combat units to operate in combination, and to be able to carry out a rapid deployment to any place on the globe. It will have to maintain needed sea and air transport strength. It will

have to pre-position materials in critical areas; and it will have to maintain in readiness powerful reserve forces, as well as enlarge the base structure in the United States itself. This strategy will require better U.S. political

cooperation with its allies, and greater economic support from its allies, making use of the role of different alliances in different areas to maintain U.S. global strategic interests.

Novel at Odds With CPC Version of History

91CM0319A Hong Kong CHENG MING
[CONTENDING] in Chinese No 159, 1 Jan 91 pp 85-87

[Article by Huai Bing (2037 0393): "Do Not Treat History Like a Prostitute"]

[Text] No political party in the world has falsified history as capriciously as the Communist Party of China, turning history into its own slave girl. Should anyone unmask or expose the details, he or she is bound to be regarded as an enemy and punished. The author of *White Snow, Red Blood*, Zhang Zhenglong [1728 2973 7127], met this fate.

Slaughter of the People's Historical Truth

The Chinese Communists talk glibly about how much they dearly love the people, and how they put the interests of the people first. Their official histories have always done this, and their literary works also contain such descriptions. Is this a fact? On the basis of data from historical files, as well as the oral accounts of those who went through the "liberation war" in northeast China for three years, Zhang Zhenglong presented the real facts. Actually, to attain the goal of seizing power, the Chinese Communists did not care at all whether the people lived or died. During the siege of Changchun, sentries were posted every 50 meters along the front line, and barbed wire and trenches, which were tightly joined, filled the gaps in between. Refugees were not allowed to go out, and those who came out were dissuaded from returning. At first this method was effective, but later, as the siege wore on and as hunger became more and more severe, hungry people poured out of the city in droves at night only to be driven back by Chinese Communist soldiers. They gathered in the no-man's-land between both sides, with the result that many of them died of starvation. In the Balibao area to the east of the city alone, approximately 2,000 died. Later on, those leaving the city were fired on and countless numbers of them were killed or wounded. The Communist forces concentrated on the blockading of grain, vegetables, fuels, oxen and horses, and all of the means of subsistence that could be supplied for the enemy's use. They cut off travel into and out of the city and commercial contacts, and they raised the slogan "not a kernel of grain or a shred of hay for the enemy; bottle up Chiang's army to die in the city." (The foregoing is based on the Chinese Communist forces' formal references). As a result, 150,000 people starved to death in Changchun. The Chinese Communists said: "Because of the Kuomintang's 'policy of slaughtering the people,' 120,000 people in Changchun died from starvation and disease." A report from the Nationalist Nanjing CHUNG YANG JIH PAO said that there were 150,000 corpses in the wilderness in front of the Chinese Communist front line. Had the Communist forces not prevented people from leaving the city at that time, so many people certainly would not have died. According to *White Snow, Red Blood* data, during the early period of the siege, someone in the besieged city's

political work committee said, "Blame for the starvation of the common people is to be put at the doorstep of the enemy army and the enemy government to widen their conflicts with the masses in order to isolate the enemy." Someone also said that "each open mouth in the city is that much more pressure on the Kuomintang. One more white bone in the city is one more bullet fired into the morale of the Kuomintang army." Clearly, the goal in not caring whether the people lived or died was to "isolate the enemy" to defeat him. In view of these circumstances, the 1987 first and second volumes *Party History Data* say only casually: "The long siege of the city occasioned some hardships for the people of the city." The unprecedented starvation of 150,000 people was only "some hardships." This is a bit too careless regard for human life. In launching the battle to defend Siping with forces smaller in number than those of the enemy, Mao Zedong predicted lightly that we "must prepare for tens of thousands of casualties. We must resolve to pay this price in order to be able to usher in a new situation." Zhang Zhenglong points out that these people who desired power more than life itself were more hardhearted than Chiang Kai-shek. In secret order Tetienzi No. 7 of 30 December 1946, Chiang lamented those killed in the warfare in the northeast as follows: "The spirits in our dreams cannot help but be restless at the tragedy of the death and wounding of officers and men, as well as the hardships of the world of ice and snow." The author copied Mao Zedong's telegram at the top and Chiang Kai-shek's secret order memorandum below with obvious intent. Even though he added the following remark: "One cannot say that Chiang Kai-shek's feelings were entirely false, might this politician really become kindhearted and merciful?" That did not conceal his indignation. Most courageous was the author's comparison of the destruction in Changchun after the Chinese Communist army's siege with the Japanese period. Following the September 18th Incident [1931, the date when Japan began the attack that culminated in the establishment of Manchukuo], he wrote that Japan assembled a number of first-rate experts from within the country and used European and U.S. building theories to begin the planning of Changchun. The completion of a greening system and a sewage system made the city clean, neat, and attractive. Electric power, telecommunications, and transportation were also substantially modernized, and the population rose dramatically from 150,000 before the September 18th Incident to 700,000 by 15 August (1946), of whom 140,000 were Japanese. Before the siege of Changchun, residents numbered approximately 500,000. Following the five-month siege, 2.3 million square meters of the city's 7 million square meters of buildings were destroyed. Everything made of wood, whether as large as a house or as small as a traffic sign, or even asphalt roads were either used to build fortifications or for fuel, and everything that could be eaten, such as tree bark and leaves, went into mouths. Statistics show a remaining postwar Changchun population of only 170,000. This was the result of the Chinese Communists' use of any means to attain their goal ("liberation"). At that time, the Chinese Communist

propaganda machine wantonly preached that victory had been achieved in the siege of Changchun "without firing a shot." This was actually a monstrous lie. The mounds of white bones beneath the ground will certainly protest.

The Chinese Communists say glibly that "comrade" is a most precious term. Numerous works talk about the closeness between officers and men, and how they help each other through thick or thin. In short, the Chinese Communist army is a collective suffused with fraternal love. However, the situation that *White Snow, Red Blood* depicts is far from that. They distrust each other. The fate of those taken prisoner in war and released is extremely tragic. No matter how great their former contribution, once they are taken prisoner, everything is erased. One old man taken prisoner after being severely wounded said, "A soldier can do anything except be taken prisoner. Once he becomes a prisoner, he is no longer a person. Even Kuomintang soldiers were not treated like that." The author could not help but sigh: "There is no fate more tragic than that of a prisoner. There is no policy more cruel than this one." The Chinese Communists have also proclaimed their exceptionally good treatment of prisoners, but this lack of confidence in their own personnel who have been taken prisoner, and their constant tormenting of them is truly difficult to understand. This only shows that actually no one believes their glib use of the word "comrade." Books also tell about how, during three years of warfare in northeast China, large numbers were purged. Taken together with those who ran away, the number totals 150,000. No doubt many of those purged were wrongly killed, but do they have graves? Are there markers at their graves? What should be written on their markers?

Lauds the True Character of Lin Biao

Some people say that the real reason that *White Snow, Red Blood* was condemned was for its praise of Lin Biao. The author's view is somewhat different. Lin Biao's historical contributions to the Chinese Communists cannot be ignored. The powerholders should not take too much offense at this. Zhang Zhenglong got into trouble because, in narrating Lin Biao's achievements, he did all possible to expose the way in which the Chinese Communists capriciously dally with history as though it were a prostitute. The author makes this point clear through narration interspersed with comments.

The history of the Chinese Communist Party is truly a hodgepodge in which decisions about people's achievements and shortcomings hinge entirely on a single sentence of those in power without requiring factual support. Gao Gang was one of the founders of the state. The base in northern Shaanxi on which the Chinese Communists depended for their survival and development was built by him and Liu Zhidan [0491 1807 0030]. In 1934 when the Chinese Communists were besieged and fled from Jiangxi, without this base they would not have had so much as a foothold, to say nothing of developing and seizing power. At one time or another, he held numerous

high positions in the Chinese Communist Red Army. During the war in northeastern China, he was deputy commander and concurrently political commissary of the Northeast PLA [People's Liberation Army], and secretary of the Northeast Bureau of the CPC Central Committee. After the founding of the government, he became vice president of the people's government. During the "founding ceremony" at Tiananmen on 1 October 1949, he reviewed the troops from the rostrum with Mao Zedong and Zhou Enlai. A Dong Xiwen [5516 1585 2429] oil painting shows him standing behind Mao. This is an irrefutable historical fact. In 1953, however, he was inexplicably declared a rebel (to this date, he has not been accused of any specific crime), and later on, when that painting appeared, Gao Gang's likeness had been erased. The same thing happened to Lin Biao. The book is very indignant about the complete negation of Lin Biao because of the "13 September" incident [the reported date of Lin Biao's flight following an alleged abortive coup d'etat] saying that "At the time of *Always Healthy* whatever he said was correct, and whatever he did was correct. Even Jinggangshan became about Mao Zedong and Lin Biao (Note: It should be Mao Zedong and Zhu De). After Lin Biao broke the pact and crashed into the desert, it became two whatevers: Whatever Lin Biao said was wrong, and whatever Lin Biao did was to be criticized. Not only was history to be obliterated, but Lin Biao was to be made to appear a 'blockhead,' a 'fool,' 'a person who could not work, could not farm, and could not fight,' and 'a person who did not read books, did not read newspapers, and a big party-lord and warlord devoid of learning.'" The author asks, "If so, how did he become a renowned general in the Red Army and the 8th Route Army? And how did he become the frontline commander in the Liaoxi-Shenyang and the Beiping-Tianjin military campaigns? During the period of the Anti-United States, Aid Korea war, why did Mao Zedong first consider having him lead the army in combat in Korea?" The author expressed even more reaction against the way in which Lin Biao's historical achievements were ignored. In the record of reminiscences prior to "13 September," (the day Lin Biao fled), the author talked much about Lin Biao's "attacking one point and fighting from three sides," and the "three thirds system," (both of which were effective battle tactics invented by Lin Biao), and about Biao being affectionately termed "old commander." After "13 September," these terms no longer appeared. The name of the "three thirds system" was changed to "organizing dispersed combat formations around individual combat teams," and in virtually all the articles about the civil war in the northeast, the term "east commander" substituted for the term "old commander" that was used before "13 September." The author quotes a passage praising Lin Biao from the American author, Harrison Salisbury's book, *The Long March—An Untold Story*, as follows: "He was a young hawk in the Red Army. During the radiant and enchanting spring of 1935, the fields of Yunnan Province were a riot of color. Everywhere the snow-white, pink, and violet opium poppy flowers bobbed in the breeze beneath the sun. In the Milky Way

of the Red Army, there was no star more dazzling than Lin Biao. When Deng Xiaoping was intoxicated with the eulogy of the Baise uprising, such lofty praise of Lin Biao afforded very much food for thought."

"Righting history that had been turned upside down" is just what *White Snow, Red Blood* set out to do.

Learning Our Forefathers' Way of Writing Straightforwardly

When reading *White Snow, Red Blood*, one should be certain not to miss the book's author's preface, titled "What Is History?" Zhang Zhenglong, this colonel in the propaganda section of a certain combined arms army in the Shenyang Military Region, spent nearly a year constantly on the go everywhere to gather materials. Then in the scorching summer, his perspiration wetting the paper, he set about writing this more than 500,000-word piece of documentary literature. Because he felt strongly that in China "history was like a prostitute to be played with by anyone possessing power and influence," he made up his mind "not to mince words, not to be excessively abusive, not to embellish, and not to prettify, but to provide guidance like the forefathers, 'writing straightforwardly.'" He realized that this course was extremely dangerous because it was "seemingly an exclusive domain in which dangers lurked all around." In China, the powerholders can apply history any way they like, while others do not even have the freedom to reveal the truth. Some experienced people told the author: "I know the answers to what you are asking, but I cannot speak. I still cannot speak." This reminded the author of the feverish search for an airplane's black box after an accident, which when found cannot be opened. In his book, the author bent every effort to open the black box, and to reveal its precious data to the world. The author did this out of conscience, and now he is in trouble. Not only do we respect his daring, but we salute him, and we hope that the powerholders will be very merciful and show forgiveness.

Relation Between Individualism, Collectivism Viewed

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[Article by Zhu Junkan (2612 6874 0170): "On the New Socialist Concept of Human Value"; author was born in 1932 and is an associate researcher of sociology at the Jiangsu Academy of Social Sciences; this journal is sponsored in part by the academy]

[Text] It is of great importance to the fostering and the upbringing of a new generation of socialists and to the promotion of socialist modernization and reform and opening up that we correctly differentiate two different sets of human values, uphold the socialist and collectivist concept of value, and resist and banish the influence of the bourgeois concept of value.

Two Diametrically Opposite Value Systems

On the issue of human value, there are two diametrically opposite viewpoints: historical materialism versus historical idealism. Not long ago, it was fashionable to propagate abstract ideas such as "everyone has his own value" and "man's value is ultimate, absolute, and unconditional." The truth is, these concepts are nothing new. They are but the rehashed concepts of value of early European humanism and the concepts of various subsequent bourgeois humanitarianist factions. Everybody knows that the bourgeois humanist concept of value was born in the late 14th century, during the humanist movement in Europe. Humanism suited the needs of the growing capitalism. It attacked the value of Christianity and feudal rule that put God at the center of everything and played down the value of man. In a loud voice, it spoke of human value, human dignity, and human interests and advocated individual liberation and personal freedom. It played a major, progressive role in the struggle against the feudal system and Christianity. But in essence, all it advocated basically was the interests and the development of the newly rising capitalist class. In the subsequent capitalist system, the only widely accepted concept was that "money determines human value." Engels pointed out that, in a capitalist society, "money determines human value: If a person is said to be worth 10,000 pounds, it means he has this sum of money in his possession. Whoever has money is 'respectable' and is 'upper class' and has 'power,' and, within his own circle, he becomes the leader." Clearly, the humanist concept of human value in essence is but the pursuit of the capitalists' personal gains disguised as the universal interest of all mankind. They look at man separately from his social nature and historical development and are bound to view human value as an abstract principle that has nothing to do with class or history. This is the historical idealist viewpoint and methodology, and clearly it is incapable of making a scientific explanation of human value.

Those who subscribe to humanism believe that all humanitarian doctrines share one principle, and, "simply put, this principle is human value." They also claim that "there is no contradiction between historical materialism and the basic principles of humanism" and that Marx "never rejected the basic principles of humanism." Accordingly, human value becomes the "common principle" behind historical materialism and historical idealism, Marxism as well as non-Marxism. This assertion is wrong. The historical idealism of humanism has nothing to do with concrete historical conditions. It talks about human nature and human value without reference to the relationship between individuals and society and explains society's development in an abstract way from the standpoint of human nature and human value. Marxist historical materialism, on the other hand, explains human nature and human value from the standpoint of social relations and historical development. These two conceptions of history are diametrically opposite. How can we say that there is "no contradiction"

between the human value of Marxist historical materialism and humanism's historical idealism? Many events in the real world prove that, when it comes to the concept of human value, the proletariat outlook on life which is based on the materialist conception of history, which has collectivism at its core, and which makes realizing communism its goal, is diametrically opposite to the bourgeois outlook on life which is based on the idealist conception of history, which has egoism at its core, and which makes personal fame and gain and comfort its goal. If we ignore the contents and the essence of these two fundamentally different ideological systems and propagate the concept of human value in an abstract way, we will in fact be propagating the bourgeois world outlook and the idealist conception of history.

According to humanism, "placing the highest value on man himself is fundamentally human as a human being." The humanists claim that this is based on what Marx once said, that "man himself is his highest essence." This viewpoint at most demonstrates the difference between man and beast, but cannot answer the question why there are different and even diametrically opposite values placed on man under different historical conditions and in the real world. True, in 1844, Marx said that "man himself is his highest essence," but this was not Marx's scientific viewpoint on the essence of man. Marx rejected Feuerbach's humanist philosophy and said that "what Feuerbach was talking about was 'man himself' and not the 'real historical man.'"¹ He directed his argument at Feuerbach's "abstract man" and pointed out that "the essence of man is not the individual's innate, abstract being. In reality, it is the sum total of all social relationships."² Thus, anyone still trying to use "man himself is his highest essence" to prove man's value is but retreating from Marx's scientific viewpoint to Feuerbach's viewpoint.

Marxism's materialist conception of history stands on real historical grounds to point out realistically that society can survive and grow only if man engages in productive work. In turn, it reveals that the history of human society is an orderly developmental process based on the conflicting movement between the productive forces and productive relationships. As people engage in the production of material goods, they develop different natures based on their respective economic status and keep on changing themselves in a historical way. Thus, the basic approach of the materialist conception of history is to explain the human issue from the point of the condition of man's social-material life and the state and the development of social relationships. This is what enables it to study the human issue on real historical grounds, to study man practically and realistically in the real historical arena that sustains human existence and activities, and to make an objective evaluation. This points out the direction of the value of man. Under different historical conditions, human value will be very different, and under the same historical conditions, different people will have different and even opposite values because of the differences in needs and

in the direction of historical development, and people in different eras look at human value differently and even in completely opposite ways because of differences in class and social status. Thus, the issue of human value should be looked at concretely and historically and should not be referred to in abstract terms.

In a socialist society, the human value we talk about refers, on the one hand, to the status of the individual in society, that is, the kind of respect and satisfaction he gets from society, and on the other hand, it also refers to what the individual's life and activities mean to society, that is, man's responsibility and contribution to society. The two are a dialectical unity. China has destroyed the system of exploitation. The masses of working people have become masters of their country, and they work every day to create a better tomorrow. In this respect, socialism has increased infinitely the value of man compared to the old society. Today, what preventing us from realizing even greater human value is not any unreasonable basic social system, but is mainly our underdeveloped economy and culture, the imperfections in certain systems, and the mistakes made in our own work. We are trying hard to perfect and develop the socialist system under the party's leadership. To enable our society to guarantee individual survival and development, man must first do constructive work; each individual must bear his or her share of responsibility to society and to each other and contribute to society. If everybody fulfills his or her duty and contributes to society and to the people, then there will be value. Conversely, if we do not meet with the demands of historical progress, or if we try to reverse the course, society and the people will be in jeopardy, and there will be no value to speak of. Thus, human value is definitely not something abstract, nor is it something people bestow upon themselves subjectively. It is an objective assessment of society's progress and of the masses' contributions.

One concept stresses that human value lies first in man's contribution to society; it rejects "individual value" and wants to "negate the individual." This is the so called "old-fashioned concept." This is an incorrect concept. Socialist society should attach importance to individual needs and comfort, and, as much as objective conditions permit, it should strive to satisfy the people's legitimate and reasonable needs. There is no doubt about this. But we should not pit individual value against collective and socialist undertakings. Marxism maintains that nothing can be achieved if we isolate the individuals, and individuals cannot survive if they are separated from the collective or from society. Without the triumph and the development of collective undertakings, there will be no satisfaction of the individual workers' material and cultural needs to speak of. Thus, the proletariat "concept of human value" should first emphasize the value of the people. It should maintain that only in the value of the people is there any individual, personal value to speak of. If an individual plays a positive role in helping to make social progress and benefit the masses, it is an

affirmation of that individual's personal value. This kind of value does not "negate the individual"; on the contrary, it explains human value scientifically and shows us how to correctly increase the value of man.

Human value can be separated into individual value, collective value, and the value of humanity. Briefly, human value is the unification of man's individual value and his collective value. Man's individual value refers to the positive effects of individual as an objective person on other individuals as subjective persons or on human society; in other words, it is an individual's contribution to society as a whole. Man's collective value refers to the positive effects individuals collectively as objective persons have on an individual as a subjective person or on human society; in other words, it is man's collective contribution to human society. The value of humanity refers to the contribution of mankind to human society. Man's individual value and his collective value give impetus to and promote each other. Every individual engages in creative activities to create value, and from the individual's perspective, this is his individual value; but from the collective standpoint, human value is part of man's collective value and man's individual value is turned into collective value. The more social-material wealth and spiritual wealth man creates individually, the more collective value man will accumulate and the richer man's individual material life and spiritual life and the better man's individual creative work environment will become, and in turn each individual will create more value and contribute more to social progress. In short, no matter how talented an individual is and how much contribution he makes, his value is but a drop in the ocean compared to the value of the collective, the masses, the class, the nationality, and the country. Thus, man's collective value is much higher than his individual value.

In understanding and handling the relationship between man's individual value and man's collective value, we must avoid making two mistakes: One is to over-emphasize man's collective value and down play or reject man's individual value. In the past, because of the flaws in the "leftist" ideology, the leadership system, and in the personnel administration system, we often stressed general character and class character and ignored individual talents and characteristics; we emphasized collective interests and overlooked individual interests; we over-emphasized the collective's functions and ignored the individual's functions and individual value. Man's individual value and contribution never received their due share of praise and respect. We even equated giving recognition to the individual's functions with giving recognition to "personal fame and gain." This was wrong, because we mistreated the relationship between man's individual value and his collective value and was confused about the difference between individual value and individualism. Thus, we must understand thoroughly the Marxist view on individual value, and when we talk about human value, we should be talking about man's individual value. We must

respect human value and increase man's individual value. Of course, while we emphasize man's individual value, we must avoid another tendency, and that is to put man's individual value above his collective value. Man's individual value is not the same as individualism, but if we separate man's individual value from his collective value and put man's personal interests above the collective interests and treat man's individual function as more important than his collective function and put man's individual value above his collective value, then we would be developing extreme individualism, and that would be wrong.

In short, we must not only acknowledge, respect, and try to increase man's individual value, but also acknowledge that man's collective value is higher than his individual value, and we must respect and try to increase man's collective value. To emphasize one at the expense of the other would be wrong and would be straying from the Marxist concept of human value.

Maintain the Value Orientation of Collectivism

Today, the value orientation of Chinese society is mainly to stand collectivism against individualism. As we bring up a new generation of socialists, we must maintain the value orientation of collectivism.

Strictly speaking, individualism is an ideological system and value concept compatible with the capitalist system and is a by-product of the development of capitalism. At birth, it appears as a rising ideological trend of the times, and therefore it has the progressive meaning that meets the needs of the age in which it is born, but it also has a side that obstructs social development. The realities of social development indicate that the longer individualism lingers in society, the deeper will be its impact on the people and the greater the damage it produces in society. If we look at ancient Greece, the negative social effects of individualism can be seen in the rampant subjectivism and skepticism in ideologies and the havoc wreaked by relativism and egoism in political theories. If we look at today's capitalist societies, individualism has landed the capitalist economic, political, and cultural systems in a complete state of contradiction, and, as a result, many knowledgeable people in Western societies no longer put their hopes in individualism, and some even have given up hope in the capitalist cultural and ideological systems shaped by individualism and are trying to find a new culture to replace this sick individualist culture. China is a socialist country based primarily on the public ownership system. Our goal is to establish socialism and eventually communism. Meanwhile, the objective of individualism that centers on the individual and that stems from the individual and strives to achieve personal goals is to take us away from the socialist path and turn us toward capitalism. Therefore, we must resolutely oppose it.

Socialist collectivism stems from the economic base of the public ownership system; it puts collective interests above personal interests and emphasizes the individual's

sense of obligation and responsibility to the collective, the state, and society. It maintains that, if there is a conflict between personal interests and collective interests, we must display the spirit of yielding our own good to the collective good and taking the interest of the whole into account, and we must oppose the kinds of ideologies and behaviors which are selfish in nature and which benefit oneself at the expense of others. Collectivism clearly stresses that, compared to the individual, society is a more important, more fundamental being. Only if the socialist collective, state, and society prosper and develop independently can each and every individual in this society develop and enjoy a better future. The interests of the socialist state, collective, and society are never something abstract. They are concrete and real and embody the interests of each member of society. Since the Third Plenary Session of the 11th party Central Committee, China's reform and opening up has made every member of society realize for himself or herself that the interests of the state as a whole and the weal and woe of the individuals are one and the same. The idea that "individuals are more fundamental and valuable than society" is very dangerous. Ultimately, this kind of idea will lead to individual egoism, alienate the people from society, pit them against society and eventually drive the people toward capitalist society. Only if we firmly establish the concept of collectivism and strengthen the centripetal force and consolidating force to pull the nation's people and the new generation of socialists together can we accomplish and strengthen the four modernizations and boost China's great strength.

Socialist collectivism's interpretation of the relationship between individuals and society is dialectic and scientific. In order to build a strong socialist country, the state and the collective should make every effort to mobilize the enthusiasm of the masses and give play to every individual's vitality. Without the individual's "personal" vitality, without the realization of the individual's "personal" value, and without the individual's "personal" spirit of exploration and hard work, the country cannot move forward with vigor and vitality. Collectivism is never, and should never be, the shackles that restrain the development of individual character or personal talents, even less the obstacle to the fulfillment of individual value. To the contrary, only collectivism can provide the necessary conditions for the realization of personal interests, including personal dignity, individual character, and personal value. The concepts that treat collectivism as "hostile" or an "impediment" to individual needs and "desires" only prove that the "individual" needs and desires they advocate are intimidated by and are hostile to collectivism.

As a goal to aim for in creating human value and a kind of moral and ethical principle, socialist collectivism emphasizes the need to work hard to perfect oneself, to perfect others, and to perfect society. Collectivism should protect the collective's interests and also maintain the purity and perfection of the collective. It should emphasize putting collective interests above personal

interests but also strive to protect the reasonable and legitimate rights of the individual. Socialist collectivism demands that the kind of "collective interest" it puts above personal interests to be legitimate and proper. It is not what some people think that whether the collective interests are right or wrong, collectivism must defend all "collective interests." It is for this reason that as a principle that guides man's behavior, collectivism emphasizes that each and every member of the collective has the obligation and the responsibility to amplify and perfect the collective and to struggle against any kind of corruption within the collective itself. Individualism ultimately alienates the individual from and pits him against the collective, but collectivism ultimately harmonizes and brings together the collective and the individual. We must admit that there are some collective organizations in today's society that do not really represent the interests of their members. That is why we need to continuously make improvements. When we ask that the individuals in a collective be ready if necessary to sacrifice themselves for the good of the collective, we are asking for their selfless and fearless spirit of struggle to amplify and perfect the collective and to banish any sign of corruption in the collective.

Realizing Man's Value Amid the Efforts To Revitalize China

Realizing man's value is an issue that concerns every individual, especially today's young people. The new generation of socialists should work hard to realize their own value and to become worthy individuals.

First, we must go with the flow of historical development and set lofty goals for our own value. The goal of one's value is the ultimate goal of one's behavior and activities. It is the main driving force behind the creation of value. Only if one has certain goals will one realize certain values. Only if one has goals of great value will one create great value. Gorkiy said, "The higher the goal one sets for oneself, the faster one's talents will develop, and the better it will be for society." Having goals of value is also an indispensable link in the creation of value. They are like the navigation marks that guide the ships at sea. With their help, one can strive and struggle, and one will eventually reach one's destination. But people have different goals of value for different things. One's life goal is one's purpose and ideal in life. It plays the most basic, commanding role and is the one factor that determines one's value. The new generation of socialists should set ambitious life goals to overcome hardship and study Marxism, Leninism, and Mao Zedong Thought and acquire scientific and cultural knowledge for the sake of invigorating China, to struggle arduously for the fatherland's "four modernizations," and to contribute more to society. They should forge ahead with this ideal about life in mind. But the goals one sets for one's value must be based on the interests of the fatherland and the people. They must go with the flow of historical development. Only if one goes with the flow of historical development and devotes oneself to the

people's cause can one accomplish something worthwhile. If the goals go against the times and are based on one's own selfish interests, one will ultimately be abandoned by history.

Second, we must try to create value in life through individual efforts and also realize the value of life through collective struggles. The essence of mankind in reality is the sum total of all social relationships. This mandates that if one wants to survive, work, and live a meaningful life, one cannot for a moment take oneself out of the collective. Today, especially, at a time of rapid scientific and technological development, detailed division of labor in society, and much greater specialization in the sciences, if one takes oneself out of the social collective, whether one is an ordinary laborer or a scientist, one will not be able to put one's talent to work or create value. Meanwhile, we should also see that human beings are conscious, dynamic, and creative beings. In the actual process of production, how one gives play to one's ideologies and whether one makes an effort and works hard will determine how much one contributes to one's own value and whether one creates any value at all. The fact that the Chinese women's volleyball team has been champion five times fully demonstrates one truth: It is impossible to create and realize value in life if one is separated from a collective that is strong; conversely, the collective cannot survive without the efforts and the hard work of the individuals. Thus, we must create value in life through individual effort, but also realize the value of life amid the struggle of the collective. We must adhere closely to the ideologies of the collective but also give play to the individual's functions.

Third, we must strive to bring out the potential value in life, but also create and realize value in life through our social practices. Man's potential value refers to scientific and cultural knowledge, moral ideals, work capacity, and physical health, which are necessary in order for the individual to create human value. The better the person's condition, the greater his potential value. Moral ideals are the spiritual mainstay in the realization of the value of life; scientific and cultural knowledge and work capacity are the means to realize the value of life; a healthy body is the guarantee of the realization of the value of life. In particular, in the wake of the new technological revolution, mankind has entered a fast-changing "information society." Knowledge is power. Science and technology are the first and foremost productive force. Everybody must strive to learn and grasp scientific and cultural knowledge and acquire strong developmental and creative capabilities. Otherwise, it will be very difficult to accomplish or create anything of great value.

But man's potential value can be turned into real value only through social practice. Man can realize the value of his life only through practical activities, and man's most important practical activity is his work. In particular, man's creative work is crucial to the realization of the value of his life. Sweat is the honest companion of a

bumper harvest. The more work you put in, the greater the value of your reward. Value and hard work go hand in hand; value and laziness have nothing to do with each other.

Fourth, we must treat the demand for satisfaction and the pursuit of profit properly but also emphasize the individual's obligation and responsibility. In past societies of all classes, man's contributions were separated from his demands, and his obligations were separated from his privileges. Thus, the masses' enthusiasm was dampened, and they could neither realize nor give play to the value of their lives. Marxists believe that one's contributions and pursuits and obligations and privileges go hand in hand. Marxism maintains that realization of the value of life awaits society's development, and realization of society's interests and satisfaction of the individual's many needs await the efforts of the whole people and the development of the socialist material and spiritual civilizations. This means personal pursuits cannot be separated from the development of the socialist social production. If the new generation of socialists want to have the respect and satisfaction they deserve in their own society and to realize their legitimate interests, they must make some contribution to society and accept their share of obligations and responsibilities. The people's obligation and responsibility and contribution to society are the moral obligations society demands of the individuals, because without the individuals' contributions, society will lose the material base necessary for its survival and development. Thus, in a socialist society, wherever a relationship develops between an individual and society or between an individual and other individuals, and wherever people live together and work together, people must make some contributions. In our effort and struggle to accomplish China's four grand modernizations, the contribution each person makes to society is linked to the respect and satisfaction society gives to him. The more responsibility a person takes up in society and the more contribution he makes, the more respect and satisfaction he will get from society in return and the greater will be the value of his life, and vice versa. But this does not mean that only people's contribution matters but not what they ask in return. The satisfaction society gives to the individuals should not be overlooked.

Many meritorious individuals emerge from our socialist fatherland everyday. Their moving stories and lofty spirits and their communist ideologies and practices are the best criticism and denunciation of the "self"-centered, "egotistic," "egoistic," and "money-above-all-things" value systems, and they continuously improve our understanding of human value. We must propagate the Marxist, scientific, and correct concept of human value boldly and assuredly under the guidance of the materialist conception of history. We must maintain the value orientation of collectivism boldly and assuredly and criticize and oppose individualism, money-worship, egoism, and ideas that are selfish; instead, we should advocate the subordination of personal interests

to the state's interests, partial interests to the interests of the whole, and immediate interests to long-term interests. We must strengthen the new generation of socialists' ability to distinguish and to abandon erroneous concepts of value and in turn arouse their zeal to make progress, reaffirm their revolutionary confidence, and galvanize them and pull them toward the nationalities and the country, so that they can realize and increase their own value as they struggle for the magnificent socialist undertakings.

LFootnotes

1. *The Complete Works of Marx and Engels*, Volume 3, p. 48.
2. *Ibid.*, Volume 1, p. 18.

Profiles of New Leadership Appointments

91CM0329A Hong Kong KUANG CHIAO CHING
[WIDE ANGLE] in Chinese No 220,
16 Jan 91 pp 46-49

[Article by Chen Li-ying (7115 7787 3853): "High-Level CPC Personnel Continue To Be Reshuffled—Tao Siju and Li Lanqin Are Promoted"]

[Text] Big Changes Among China's High-Ranking Officials

During 1990, the leadership of Communist China's provinces, municipalities, and autonomous regions underwent huge personnel changes. The Central Committee United Front Work Department, the State Council's Hong Kong and Macao Affairs Office, and the Taiwan Affairs Office changed leadership, and the seven major military regions were totally reorganized. By the end of the year, the State Council's Ministry of Public Security and Ministry of Foreign Economic Relations and Trade also had new people in charge.

The former minister of China's Public Security Ministry, Wang Fang, formally resigned at the end of 1990 and the vacancy was filled by Tao Siju [7118 7475 7467].

Tao Siju, the new minister of public security was born in 1935 in Jiangsu. He is now 56 years old.

Tao Siju Joins the Communist Party at the Age of 14

Tao Siju joined the CPC in 1949, at the age of 14, while he was studying at Jingjiang United Middle School.

In 1951, at the age of 16, he entered the Central Public Security Cadre School and afterward worked for the Ministry of Public Security.

In 1957, he was selected for advanced studies at the Foreign Affairs Academy for two years. He graduated in 1959, having specialized in English.

In 1983, Tao Siju Wins a Grade-Skipping Promotion

In his early years, Tao Siju held the positions of deputy section chief in the Public Security Ministry, secretary of the Military Commission General Office in the Central Committee, and deputy department head in the Public Security Ministry.

Regarded as one of the CPC's outstanding, young model cadres, in 1983 at the age of 48, Tao Siju was given a promotion in which he skipped grades to become vice minister of public security.

Responsibilities for Protecting Central Senior Officials on Foreign Visits Often Take Him Abroad

It is reported that one of his duties while he was vice minister of public security was to protect central senior officials on foreign visits. Whenever a Chinese head of state would go abroad for a visit, Tao Siju would often be sent ahead to the country being visited to look into arranging routes, lodging, food, and security; to report on the situation; and to consult with relevant departments of the country involved. Being able to speak English, he is no stranger to many of the diplomatic figures from European, American, and Southeast Asian countries. Tao Siju accompanied Li Peng on his recent visit to Southeast Asia.

Receives Important Assignments From Li Peng and Qiao Shi

Tao Siju's performance has long won the appreciation of Li Peng and Politburo Standing Committee member Qiao Shi, who is in charge of the Central Committee political affairs and law group. Li Peng has, for a long time, commended Tao Siju as the right candidate for minister of public security because of the political and legal work he has done, his knowledge of the security field, and his ideological insights.

Tao Siju Takes Over Wang Fang's Position as Ministry of Public Security Party Committee Secretary in Fall of 1990

There are a number of "older" members of the Chinese Communist Ministry of Public Security who are highly qualified and experienced. However, in the fall of 1990, when Wang Fang resigned from the position of ministry party committee secretary, the job went to Tao Siju. People were already predicting at the time that he would also very likely replace Wang Fang as minister.

At the end of December 1990, when Wang Fang resigned, Tao Siju finally took over as eighth minister of public security.

Public Security Ministers Have Been Multitalented

The Ministry of Public Security is an important and sensitive department of the Chinese Communist government. Former ministers all held key governmental posts and were responsible for important CPC work. The last few ministers, such as Luo Ruiqing, who after he became

minister of public security, was also assigned as chief of the General Staff, vice premier of the State Council, and vice chairman of the National Defense Council; Xie Fuzhi was a member of the Politburo Bureau and vice premier of the State Council; and Wang Fang was a member of the State Council. Whether Tao Siju can go even higher, we will have to wait and see.

Having Suffered from Colon Cancer, Tao Siju's Future Will Have To Be Verified

Tao Siju's weak point is probably his health. Although he is not very old, in the last few years he has suffered from cancer of the colon. Even though it has been cured and is not likely to spread, because of his surgery, he has to wear a device to collect body waste and he cannot become too fatigued by his work. This will be one of the myriad things with which he will have to cope in his public security work.

China's Public Order Situation Is Serious

The public order situation in China has been serious recently. There are many problems. Killings, robberies, graft, prostitution, rape, thefts, swindles, smuggling, trafficking in narcotics, gang-related crime, and even religious and regional armed clashes have been occurring over and over.

In July 1990, China's public security departments began a severe crackdown on criminal activity. It has been reported that, from July 1990 to the end of September, public security organs nationwide seized 986,002 criminals of various categories who had violated the law, tracked down 79,758 criminal gangs of various categories with 337,098 members, broke 796,170 criminal cases, 155,725 of which were serious cases, and seized 60,446 firearms (1,079 of which were for military use), 773,170 rounds of ammunition, 350,482 kilograms of explosives, and illicit funds and stolen goods worth 678.53 billion yuan. It has been reported that China's public security departments are preparing to suit their measures to local conditions by having provinces, municipalities, and autonomous regions carry out specific deployments that focus on the resolution of the differing criminal problems that exist in the various regions. They will reportedly make an effort to investigate and break the serious cases, to crack down on criminal gangs, and to have quick hearings, quick arrests, and quick prosecutions. How correctly and fairly Tao Siju acts on this throughout the country will also test him anew.

Wang Fang, who just left, is an old-time public security person.

Wang Fang Has Been in Security Work for a Long Time

Wang Fang (September 1920-) is 71 years old this year. He is from Xintai County in Shandong. He has a senior

middle school education, and prior to his resignation, he was a member of China's State Council and concurrently minister of public security.

Wang Fang began doing Chinese Communist military work in the late thirties. He was a squad leader, platoon commander, and company commander. He later was assigned chief bodyguard in a brigade security section, thereby beginning his security work in the army.

He was once the chief bodyguard for General Wang Jian'an (1902-1980), who during the War of Resistance and during the civil war was deputy commander of the Shandong Column, deputy commander of the Shandong Military Region, commander and concurrent political commissar of the 8th Column of the East China Field Army, and Wang Fang's old boss. In April 1938, Wang Fang joined the CPC.

At the beginning of the forties, Wang Fang became chief of the Shandong district security department for the 8th Route Army.

In May 1945, Wang Fang became head of the political department of the Independent 4th Brigade of the Shandong Military District of the 8th Route Army. He later became chief of the Organization Department and concurrent head of a corps security department of the 3d Field Army's 8th Column. He took part in the campaigns of Menglianggu, Luoyang, and Zhunhai.

In May 1949, Wang Fang was promoted to political commissar of the 94th Division of the 3d Field Army's 32d Army.

In February 1950, he became deputy commander of the Hangzhou municipal air defense headquarters.

In 1951, Wang Fang became chief of the Zhejiang provincial people's government public security department and concurrently member of the Zhejiang provincial political affairs and legal commission.

Responsible for Protecting Mao Zedong in Hangzhou

In January 1953, Wang Fang became Zhejiang provincial public security unit commander in the East China Military Region and concurrently head of Zhejiang provincial public security department. At that time, Mao Zedong and a number of other central ranking figures came to Hangzhou every year. Wang Fang was responsible for protecting them. This type of work is generally the responsibility of persons capable, careful, and absolutely loyal.

In 1954, he became political commissar of the Zhejiang provincial public security general headquarters unit.

Between January 1955 and 1959, he was also a member of the Zhejiang provincial people's party committee.

In September 1964, he was selected to become vice governor of Zhejiang and concurrently secretary of the

Wenzhou party committee. In 1965, he concurrently took up the position of Zhejiang provincial public security department head.

In 1966, at the beginning of the Great Cultural Revolution, because of his resistance to the ultraleftist line and especially because he knew a great deal about what was going on behind the scenes, he was accused of being "the Liu-Deng representative for the southern Zhejiang region." He was also falsely accused of having surreptitiously listened to the conversations of Mao Zedong and Jiang Qing and was arrested and imprisoned in January 1967. After being locked up for several years, he was released in 1972 and resumed work in 1975. In December 1977, he became secretary of the Ningbo party committee and later was selected to be deputy chairman of the Zhejiang provincial revolutionary committee.

In December 1979, Wang Fang became vice chairman of the Zhejiang Provincial People's Congress committee and concurrently secretary general of the Standing Committee of the Zhejiang Provincial Fifth Congress of Representatives.

In 1981, he was the deputy secretary of the Zhejiang provincial CPC committee and was appointed by the committee to be in charge of the work of investigating the "gang of four."

In September 1982, he was elected a member of the 12th CPC Central Committee. In 1983, he became secretary of the Zhejiang Provincial CPC Committee.

Wang Fang Replaces Yuan Chongwu as Minister of Public Security in 1987

In April 1987, Wang Fang took over the work of Yuan Chongwu to become the State Council's minister of public security, secretary of the Ministry of Public Security's leading party group and concurrently first political commissar of the ministry's military garrison unit.

In November 1987 at the 13th National CPC Congress, Wang Fang was elected a member of the Central Advisory Commission.

In April 1988 at the Seventh National People's Congress, he was elected a member of the State Council while simultaneously holding the position of minister of public security.

It is reported that, after he came to Beijing to take up the ministerial post, someone placed a time bomb at the rear gate of his residence to intimidate him. But he was not frightened and continued as before.

Wang Fang is energetic and has good spirits. In his early years, he developed a brain tumor that pressed on his cranial nerve. It was quite painful. However he insisted on not having an operation, and it cleared up without treatment.

In recent years, however, his health has definitely not been good. In March 1990 when the National People's Congress was convened, it was stipulated that all the State Council ministers had to be present for interpellation. Li Peng gave the order that, except for those who had to be out of the country for special reasons and those who were abroad on official business, officials at the ministerial level and above were all to attend the congress to hear the views of the representatives. However, Wang Fang was in Hangzhou convalescing and never showed up. At the time, KUANG CHIAO CHING pointed out, "It looks as if, sooner or later, someone will be taking over his government post." (See KUANG CHIAO CHING, April 1990.)

Changes Convalescence From Hangzhou to Tianjin

Wang Fang's health was ruined because of the Cultural Revolution. In addition to his original infirmities, it is said that he also showed symptoms of losing his balance when walking. Later, having used a medical apparatus invented in China for vital signs and breathing, his health improved somewhat. However, he was not as vigorous as before. In the summer of 1990, he moved from the south to Tianjin to convalesce so that he could still take on the important responsibilities of public security minister. He had to be close to the capital. When there were important meetings, he could go there quickly to take part and he would be close by for making assignments and doing studies. On the eve of the Asian Games, Wang Fang returned to Beijing. At the time, he no longer held the position of Ministry of Public Security party committee secretary. Tao Siju had already taken responsibility for this important party position.

Shen Zulun, Having Resigned as Zhejiang Governor, Was Once Wang Fang's Secretary

Shen Zulun, who resigned as the governor of Zhejiang Province in November 1990, was once Wang Fang's secretary.

Li Lanqing, the Newly Appointed Minister of Foreign Economic Relations and Trade, Is a CPC Central Committee Alternate Member

Li Lanqing, the newly appointed minister of foreign economic relations and trade replacing Zheng Tuobin, is a man of boldness and scholarly attainments. He is both familiar with foreign trade affairs and willing to face up to problems. Prior this recent promotion, he was already executive vice minister in charge of day-to-day work within the ministry and a CPC Central Committee alternate member. In the past several years, his achievements have been outstanding, and he has won a great deal of public praise. The former minister, Zheng Tuobin, was 66 years old, past the age of retirement. Consequently, no one was surprised when Li Lanqing was promoted.

Li Lanqing Is a Fudan Graduate Who Knows English and Russian

Li Lanqing was born to an intellectual family in 1932 in Zhenjiang City in Jiangsu.

In October 1949 when the Chinese Communists established their capital at Beijing, the 17-year-old Li Lanqing was studying business administration at Fudan University in Shanghai. He graduated in 1952 at the age of 20. He joined the CPC that same year to become one of the people of economic talent nurtured by the CPC during the initial years of the founding of the People's Republic.

Li Lanqing Goes to the Soviet Union in 1956 for Internship

As a young man, Li Lanqing started out at large enterprises at the local grassroots level and ultimately advanced to the central government. For a long time, he had dealt with practical work. He is not only familiar with professional work at the local level, but he has also traveled to a number of foreign countries. He is thoroughly familiar with China's economic and trade issues and has had abundant practical experience.

During the early part of the fifties, after he had graduated from the university, he was assigned to work as a planner in the planning section of a key enterprise in the Northeast, the Changchun No. 1 Motor Vehicle Manufacturing Plant. He was later promoted to chief of the planning section. In 1956, he went to the Soviet Union to do an internship at a motor vehicle plant. He was subsequently transferred to the State Economic Commission where he held the posts of head secretary and chief of the enterprise management bureau.

After 1972, he was transferred to central China where he helped to set up enterprises in the interior. He was deputy chief of the planning office at the Hubei No. 2 Motor Vehicle Manufacturing Plant and first secretary of the Hubei No. 2 Engine Plant party committee.

In 1978, Li Lanqing became deputy commander of the construction command post at the No. 3 Motor Vehicle Manufacturing Plant and was put in charge of the preparatory department of the heavy motor vehicle manufacturing plant of the State Council's First Ministry of Machine Building.

His long-time work in large enterprises has given him firsthand experience in China's enterprise management. He knows the good and bad and the problems of China's enterprises. This has laid an important foundation for taking on the job of reforming the foreign trade system.

After China implemented reform and the opening to the outside, Li Lanqing quickly became involved in foreign economic work. In 1981, he became responsible for the government loans projects office of the State Import-Export Control Commission and used government loans to foster the production of top-quality export products and to build export bases in many municipalities, cities, and regions throughout China. In 1982, he became chief

of the Foreign Capital Control Bureau of the Ministry of Foreign Economic Relations and Trade. He was responsible for the introduction of foreign capital during the early period of China's opening to the outside. He achieved a great deal of success.

In 1983, he was made vice mayor of Tianjin Municipality. In the three years that he had job, he was in charge of Tianjin's foreign affairs, assisted Li Ruihuan, who was Tianjin mayor at that time, and was able to establish a rather efficient system by bringing a highly developmental approach to running Tianjin's foreign affairs, tourism, and port facilities.

Li Lanqing was famous in the Ministry of Foreign Economic Relations and Trade as "the vice minister who loved to write." Knowing English and Russian, he often would write articles on aspects of economic trade for some of China's big publications. His writings and talks have set forth a systematic theory, and he has now published six books.

In 1986, Li Lanqing returned to the State Council's Ministry of Foreign Economic Relations and Trade to become vice minister. In November 1987, at the 13th CPC National Congress, he was elected alternate member of the CPC Central Committee. For several years now, he has been in charge of structural reform of China's economic trade. He has used his enterprise management experience and his experience with foreign economies to draw up a coordinated blueprint for future Chinese Communist development in an attempt create a new situation for China's new economic trade structure.

Another person who was also recently promoted to ministerial rank is Xiao Yang [5618 2254]. He transferred from Guangdong to Beijing.

Xiao Yang Becomes Deputy Procurator General of the Supreme People's Procuratorate

In December 1990, the Standing Committee of the National People's Congress appointed Xiao Yang deputy procurator general of the Supreme People's Procuratorate.

Xiao Yang is from Heyuan County in Guangdong. He was born in 1928 and is now 53 years old [as published].

In 1961, after graduating from the law faculty of Chinese People's University, he was assigned to teach at a cadre political science and law school in Xinjiang. A year later, he returned to his native Guangdong and worked eight years at the Qujiang County public security bureau. He joined the CPC in 1966.

During the Cultural Revolution, he was interrogated for more than two years. In 1972, he was sent to the countryside to a commune where he was party committee secretary for six years. He later moved to Shaoguan City in Guangdong to become party committee secretary of Wujiang Ward.

In 1983, Xiao Yang became deputy secretary of the Qingyuan Prefecture party committee. After holding the post for only two months, he was transferred again to become deputy procurator general of the Guangdong Provincial Procuratorate. In 1986, he was selected to become procurator general of the Guangdong Provincial People's Procuratorate.

Xiao Yang Has Stressed That Executive Organs Must Be Supervised by Society

Xiao Yang believes that, if executive organs do not accept the supervision of society, they can easily become corrupt. In 1986, he early on established a system whereby the procuratorate organs reported to members of the People's Political Consultative Conference on cases that were being put on the record, invited democratic figures from Guangdong Province to act as special members of the procuratorate, and actively urged National People's Congress representatives to come to the procuratorate to "look for shortcomings."

Xiao Yang Sets Up a Masses Reporting Center in Guangdong

Xiao Yang's achievements as procurator general in Guangdong made it possible for him to be transferred to the central government. In March 1988, at an early stage, he set up in Guangdong a reporting center for the masses. This took care of the difficulty procuratorate organs have "putting the pieces together," since many of the threads of cases are not tied together from beginning to end. In May 1988, after Liu Fuzhi become procurator general of China's Supreme People's Procuratorate, he quickly popularized this same method.

In 1990, Xiao Yang again took the lead to set up in Guangdong a working bureau for opposing corruption and bribery, bringing together in a three-way combination crime reporting, investigation, and prevention. In 1990, Guangdong alone handled more than 1,000 major cases, close to half of the total number of cases handled.

Subsequently, the country's 19 provincial-level procuratorates and 155 procuratorates at the level of autonomous prefectures, cities, and regions one after another likewise set up working bureaus for opposing corruption and bribery.

Another initiative that Xiao Yang took to improve the openness of procuratorate organs was to issue Guangdong reporters special permits to cover the news. He felt that, as long as it did not impede investigation, there should be greater openness surrounding cases.

At the end of 1990, when Xiao Yang was presiding over the Guangdong Provincial Procuratorate General's work conference, he proposed that procuratorate work should promote economic construction and protect the growth of production. China's Supreme People's Procurator General Liu Fuzhi was extremely interested in this.

In addition to being charge of many professional tasks at the Supreme Procuratorate, Xiao Yang will also be in charge of certain multipurpose jobs, such as the general office, the publishing house, and the technical bureau. Wang Yang has declared that he hopes within the next few years, on the basis of his work at the procuratorate, to be able "to further progress and to further improve."

NATIONAL AFFAIRS, POLICY

Farm Price, Subsidy Changes for Larger Capital Accumulation

91CE0360A Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 12, 20 Dec 90 pp 24-30

[Article by Wang Yaping (3769 0068 1627), General Office, Economic Research Institute, State Planning Commission: "On Farm Product Price Policies and the Accumulation of Capital for Industrialization"]

[Text] Correct handling of the correlation between farm price policies and the accumulation of capital for industrialization during the Eighth Five-Year Plan will both enable continued development of agriculture itself, and also ensure sufficient accumulation of capital to meet the needs of healthy growth of industries other than agriculture. This is a major strategic issue bearing on readjustment of the industrial structure for progress in China's industrialization.

I.

Farm product price policies are closely linked to the means and the scale of accumulation of capital for industrialization. Generally speaking, during the initial period of industrialization of developing countries, the orientation of farm product price policies is for the purpose of accumulating capital for industrialization. In the process of developing China's national economy, such was also the case for farm product price policies under guidance of a traditional economic development strategy.

During the past 30 years of reform, rapid realization of the strategic goal of industrialization required the rapid, large scale withdrawal of accumulated capital from the agricultural sector. By using a monopoly procurement and a monopoly marketing system, the state artificially lowered prices paid for agricultural products in order to obtain industrial raw and processed materials and the basic means of subsistence at a cheap price. This lowered raw and processed materials costs and wage costs in order to propel and assure high profits for the industrial sector. The "price scissors" between industrial and agricultural product prices not only caused a rapid flow of capital for the country's industrialization from the agricultural sector to industries other than agriculture, but overall it also assured that the percentage of distribution of national income was set in favor of accumulations. First, because of the low prices of farm products, the income of peasants, who account for more than 80 percent of the population, increased slowly, their ability to increase consumption being extremely limited. Second, city resident consumption is largely food, the Engels coefficient reaching about 60 percent, so the low prices paid for farm products enabled city residents to satisfy their consumption needs at a low level of income; thus it also relatively reduced pressures on the state to increase the income level of city residents. Therefore, an

accumulation policy that emphasized accumulations for industry could be realized at a low per capita income level.

The direction of flow of macro capital during the initial period of China's industrialization was from the rural villages to the cities, and from agriculture to industry. The huge sums of national income that agriculture generated were shifted to provide primitive accumulations for progress in industrialization, and it was the centralized distribution system that guaranteed that this scale of capital would satisfy maximized requirements. Industrial enterprises instituted monopoly control over income and expenditures, wage earnings being strictly controlled at command plan. From 1952 to 1978, the labor productivity rate for all personnel in the country's enterprises under a system of ownership by the whole people rose 166 percent; however, the per capita wages of staff members and workers rose only 38 percent, remaining virtually unchanged after deducting for price fluctuations. In the net output value that industrial enterprises under ownership of the whole people generated, the percentage for wages and welfare funds declined steadily, going from 58.7 percent in 1952 to 42.6 and 20.5 percent respectively in 1957 and 1978. The state's share obtained from taxes and profits rose from 41.3 to nearly 80 percent. This assured delivery of an overwhelming portion of national income derived from the agricultural sector to the treasury in the form of enterprise profits for large scale redistribution that cut across city and countryside, and industrial lines. Such a traditional accumulation method and a funds distribution mechanism made it both necessary and possible for the national treasury to maintain a relatively high degree of capital concentration, and to hold a commanding position in the distribution of national income. This was specifically manifested in expenses for economic construction, financial expenditures usually amounting to about 20 percent of total national income. Capital construction investment covered by the budget as a percentage of investment in capital investment throughout society was generally between 75 and 90 percent. Thus, the high concentration of national financial revenues, and the "scissors" between prices of industrial and farm products had a powerful capital accumulation effect. The two were interrelated and corresponded with each other.

Since institution of economic system reform, the situation has changed fundamentally. This has been manifested in the state's increasing farm product procurement prices several times during the period 1979 to 1984. For a time, this narrowed the "scissors" between prices of industrial and farm products. Simultaneously, the degree to which the national treasury amassed capital also declined gradually. National treasury revenues as a percentage of national income plummeted from the 37.2 percent of 1978 to 26 percent in 1984, while price subsidies as a percentage of treasury revenues zoomed from 8.4 percent to 19.8 percent in a respective 11 percentage point decline and rise. National treasury directly distributed amassed accumulation capital also

declined greatly. Comparison of 1984 with 1978 shows a 10 percentage point decline in expenditures on economic construction as a percentage of national income. Within-budget investment in capital construction as a percentage of investment in capital construction throughout society declined nearly 30 percentage points. The movement in the same direction of the narrowing of the "price scissors" between prices of industrial and farm products, and the decline in the degree of amassing of capital cannot be attributed simply to improper macroeconomic policies. The deep down reasons lay in the shift in the traditional economic development strategy, requiring readjustment of the high accumulation rate. Thus, the capital that the state amassed as a result of the "scissors" between prices of industrial and agricultural products before reform were not turned over to city residents for consumption, but rather were used as accumulations for industrialization. This is to say that the basic method of the state for obtaining capital for industrialization is not just holding down peasant earnings, but is also using this as a basis for limiting the level of consumption of all residents. Thus, during the initial period of economic system reform, only the lowering of the high accumulation rate was able to change the model for the development of industrialization, reducing pressures for agriculture to provide capital accumulations for industrialization. In addition, the state is the main concentrator and user of funds. Too high an accumulation rate stems mostly from too concentrated national accumulation of funds. Under such circumstances, choices in macroeconomic decision making inevitably are that, simultaneous with the state raising the people's standard of living, it increases government price subsidies on the one hand while reducing capital construction within budget on the other, thereby keeping in balance the proportional relationship between accumulation and consumption.

Since the deepening of urban economic system reform in 1984, changes have taken place in the relationship between the "scissors" between industrial and farm product prices and fund accumulations that offer food for thought. These are namely that with the gradual loss of economic system conditions for amassing and distributing social resources, the rewidening of the scissors between industrial and farm products can no longer provide a strong capital accumulation effect. Since 1985, the state has continued to raise gradually farm product procurement prices while simultaneously gradually removing restrictions on some farm product sale prices. However, since control over prices of urban industrial wares has also tended to become lax, industrial enterprises have correspondingly raised prices of nonagricultural products, so prices of farm products are once again in an unfavorable position. From 1985 through 1988, farm product procurement prices rose 59.1 percent, and industrial ex-factory prices rose 40 percent. However, during this same period, the agricultural labor productivity rate rose only 16.8 percent, while the industrial labor productivity rate rose 76.6 percent. The amount of industrial labor that could be obtained in exchange for

an equivalent amount of agricultural labor gradually declined. By 1988, the amount of industrial labor that could be obtained was equal only to 87.6 percent of the 1984 amount. In 1989, the situation got worse. During that year, rural retail prices of industrial goods were 18.7 percent higher than during the previous year, while agricultural by-product procurement prices rose only 15 percent over the previous year. The overall price parity index between industrial and farm products was 103.2 percent, which is to say that the "scissors" widened 3.2 percent over the previous year. As a result, peasant expenditures increased by a net 18.8 billion yuan. The rise in prices for nonagricultural products was greater than for agricultural products. In the course of the changes in prices of industrial and agricultural products, the peasants went from a net benefit to a net loss. The corresponding situation in capital accumulation was, first, a gradual decline in the degree of amassing of funds in the national treasury. From 1985 through 1988, state revenues as a percentage of national income declined from 26.9 to 19.2 percent. In-budget capital construction investment as a percentage of investment in capital construction throughout society fell from 35.9 to 24.2 percent. Second, the accumulation rate for the past several years saw a gradual upturn, becoming even higher than the average pre-reform accumulation level. However, after deducting foreign capital outflow (this is between approximately 3 and 4 percentage points in the accumulation rate), and means of production price rise factors, the actual accumulation rate is vastly lower than the nominal accumulation rate, domestic capital accumulations showing a deficit.

Therefore, the crux of the problem lies not in an expansion of the "scissors" between prices of industrial and agricultural products to take away value created in the agricultural sector, but rather in the flow process and the direction of flow from which funds are taken. Take the capital flow process in which there has been an overall decline in the fund accumulations that the agricultural sector provides going into national channels to increase accumulations. A substantial amount of capital flows into the distribution bodies given below.

(1) Within state-owned enterprises. A look at state-owned enterprises shows that following readjustment of state and enterprise distribution relationships, enterprises' retained profits increased steadily. This was particularly true during implementation of the enterprise contract management responsibility system in 1987. During this period of greater removal of restrictions on prices of industrial products and a fairly high currency inflation rate, thanks to strictly guaranteed base figures, much of the increase in enterprise earnings resulting from a rise in ex-factory prices, including a substantial portion deriving from the "scissors" between agricultural and industrial product prices, went to enterprises, the state receiving no attendant increase in revenues. Statistics show that state-owned industry contracted enterprise profits and taxes during 1987 and 1988 that were 19.8 and 18.2 percent greater respectively than in

the previous years. However, profits and taxes paid to the state in 1987 increased only 1.4 percent, and in 1989 not only did they not increase but rather decreased 9.7 percent. The percentage of enterprise profits that the state obtained declined from 38 percent in 1987 to 29 percent in 1988. To continue, since reform, city and countryside commodity exchange relationships have gradually grown closer and deeper; the peasant self-sufficiency rate for consumer goods used in daily life has steadily declined; the commodity rate has risen steadily; industrial manufactures needed in production and daily life have steadily increased, and commodity trading between the two large industrial and agricultural sectors have rapidly grown. In a situation in which the "scissors" between prices of industrial and agricultural products has widened again, and the percentage of goods that enterprises themselves sell has risen, the present enterprise contract system means that enterprises will be able to gain more benefit from the "scissors" between prices of industrial and agricultural goods, but the increase for the national treasury will be scant.

(2) Township and town enterprises. State industrialization policy prior to reform did not permit peasants to engage in nonagricultural business activities on a significant scale. Consequently, the ownership structure of industrial enterprises was undiversified. Basically it was a system of ownership of the whole people. In essence, this was a benefit resulting from the "scissors" between state monopoly controlled prices of industrial and agricultural products. Following reform, a wave of industrialization took place in rural villages. Large amounts of agricultural capital and labor surged into township and town enterprises. The rise of township and town enterprises demolished the undiversified pattern of the non-agricultural ownership structure, which also meant an accompanying change in the appearance of benefits derived from the "scissors" between state monopoly prices of industrial and agricultural products. The peasants could also take part and share benefits. This showed up specifically in the following: (1) The peasants' dual role both as staff members and workers in township and town enterprises and as agricultural producers; and (2) "using industry to augment agriculture" from township and town earnings. This was because from the standpoint of treasury revenues, since township and town enterprises and other enterprises under a system of ownership enjoyed preferential tax policies and paid fairly low taxes, only 20 percent of the total profits and tax revenues that township and town enterprises realized annually were turned over to the national treasury. In a situation in which the nonownership by the whole people component of the economic structure was on the rise, such a distribution of profits was bound to limit increase in the government's revenues. The total amount of the benefit from the "scissors" between industrial and agricultural product prices that the state was able to amass fell further because of the sharing of township and town enterprises.

(3) Local government. The portion of capital from agriculture that the state amassed that was under central

government treasury control was also on the decline as a result of government financial system reform, following local government financial contracting in 1988, the revenue that local treasuries annually turned over to the central government was largely a constant figure. Most of the local government revenue increase remained in the local area. In addition, the local government treasury "progressive increase contracting" progressive rate of increase was universally lower than the local price rise index. A portion of the capital that the agricultural sector provided the nonagricultural sector remained with the local government.

The foregoing analysis shows that with the 1984 widening of the "scissors" between prices of industrial and agricultural products, the capital that the agricultural sector provided did not revert to state and central government control in a monopolistic way, but rather was allocated by various funds distribution entities in a decentralized and diversified way. The direction in which capital is used is determined by the action mechanism of the main capital distribution entities. The direction of flow of this capital was of two general types. The first was for urban residents' consumption, and the second was investment in processing industries.

There are two main channels of flow for urban resident consumption. On the one hand, enterprises' retained profits are used mostly for staff member and worker welfare activities and bonuses, which are expenditures of a consumption nature. This results in the portion of enterprise income in the final national income distribution pattern being substantially fair, the reduction in the portion that the state gets and the increase in the portion that individuals get largely offsetting each other. On the other hand, government price subsidy policies were not revised as the urban residents' income level rose and as accumulation rate readjustments were substantially put in place. On the contrary, the emphasis of subsidies tilted from producers to consumers. Government price subsidies are actually expenditures of a consumption nature for the benefit of city and town residents. When such payments steadily rise as a percentage of government expenditures, inevitably they take capital that might otherwise be used for increasing production, and they pit consumption against accumulation in the use of national income. In addition, under the present system, rural residents rarely enjoy these subsidies, so the gap between the standard of living of city and countryside residents has begun to widen. Overall, capital use is tilted in favor of individual consumption. As a result a portion of the capital that the agricultural sector provides the nonagricultural sector is eroded away in the initial distribution; and in redistribution, another portion is paid to city and town residents.

The flow of capital to processing industries is largely via township and town enterprises and local governments. In the investment of funds, local governments also favor processing industries in which the amount of investment is small, results are quick in coming, prices are high, and profits are large. When market conditions are right, local

processing industries develop rapidly, and because returns are relatively far higher than from agriculture, they attract large quantities of agricultural resources away from the agricultural sector into non-agricultural industries. The rapid development of township and town enterprises in which processing industries played a leading role resulted in the relative insufficiency of basic industry and basic facility supply capabilities. This brought about a dual conflict in the industrial structure of both agriculture and basic industries being in urgent need of development, but the development of a capital shortage.

II.

After reform, the linking of agricultural product price policies to the accumulation of capital for industrialization changed, demonstrating that progress in the country's industrialization was objectively in a transition stage between forced accumulations and conventional accumulations. The historical mission of low priced agricultural products providing accumulations for industrialization had to come to an end, and was in process of coming to an end. The main starting point for agricultural price policies should be shifted from providing accumulations for industrialization to maintaining the development of agriculture itself, and evening out city and countryside residents' benefits. The reason for such a shift is not simply because the "scissors" between prices of agricultural and industrial products no longer has a strong effect on accumulations. It is economically rooted deep down in the following three matters:

First, with progress in industrialization, agriculture is no longer the main source of capital accumulations in the national economy. In the process of orderly change in the industrial structure, an objective law exists that says that as per capita income increases, the main source of capital accumulation gradually shifts from the agricultural sector to the industrial sector. National income derived from agriculture as a percentage of total national income declined from 35.5 percent in 1985 to 32.8 percent in 1989. Figured at 1980 comparable prices, it accounted for only 28.4 percent. National income derived from industry as a percentage of total national income rose from 45 percent in 1985 to 47.5 percent in 1989. The percentage from other industries remained largely stable. This shows a decline in the relative position of the agricultural sector in the national economy for a relative decline in the capital accumulations it is able to provide. Once an industrial system in which all components are complete has been substantially built, in a situation of gradual decline in the accumulations that agriculture provides, the nonagricultural sector should gradually be able to develop itself and perfect itself. Even though overall progress in the country's industrialization is still in the intermediate stage; nevertheless, the shift in the main source of accumulations is an objective trend.

Second, with the deepening of economic system reform, the ownership structure and the main beneficiaries in the national economy have become multiple. As a result, the

foundation for the system whereby the state used forced accumulations to concentrate resources for distribution has been lost, and the role of the market mechanism in allocating resources has become much stronger. The comparative benefit principle has become the basic foundation for the distribution of resources. If prices of farm products continue to be held down artificially, the widening of the "scissors" between prices of industrial and agricultural products condoned, this can only stimulate conflict between the equitable apportionment of resources and healthy economic development, thereby leading to ever greater structural imbalance.

Finally, a survey from the angle of macroeconomic operation shows that the market slump, which was a major limitation on normal development of the national economy, was markedly structural in nature; which is to say that city and countryside markets contrasted markedly. Urban resident consumption demand rallied month by month, urban market commodity retail sales figures for the period January through August rising by a cumulative 2.7 percent, hitting 7.7 percent in September. However, comparison of income with consumption shows immediate urban consumption as markedly insufficient. Between January and August 1990, bank payments of a wage nature to individuals increased 10.3 percent. The urban residents' savings rate, which was 18.6 percent in 1988, reached 30.4 percent in 1989, and between January and August 1990 it reached 41.2 percent in a 10 percentage point rise over the same period in 1990. The rural market slump, however, was attributable to a decline in peasant income. In 1989, peasant family net income decreased 8 percent after deducting for price increases, and during the first half of 1990, it decreased 3.7 percent after deducting for price increases. Rural market commodity retail sales decreased 5.7 percent for the period January through August. This was 4.4 percentage point lower than the national market average. This was the main element holding in check the revival of consumption markets nationwide. The gap between city and countryside residents' earnings widened once again. This caused urban residents' purchasing power to lose its orientation in guiding production. In addition, the broad masses of peasants were unable to take the place of city residents as consumers of goods such as electrical appliances with which cities were verging on saturation. A rung on the consumption ladder broke. Inasmuch as new newly developing leading industries that guide urban residents' consumption do not appear in a short period of time, it was also difficult to raise peasant income for the time being. The national economy was in a low speed growth stage, and progress in industrialization was delayed in fact.

The reasons for periodic changes in agricultural product price policies also provided orientation for policy shifts, i.e., a gradual reduction in the contribution of capital accumulations that agriculture provided for industrialization, the amount of capital remaining within agriculture being used to develop that sector. The problem is that in recent years a substantial part of the capital

accumulation that agriculture has provided flowed into city resident consumption and into processing industries. A portion of the accumulations that the non-agricultural sector created also flowed abnormally into personal consumption. As a result, the inadequate supply for basic industries and basic facilities had an increasingly marked effect in limiting growth of the national economy. During the Eighth Five-Year Plan, economic development will objectively require an increased accumulation rate in order to enable the development of basic industries and basic facilities. Thus, a two level conflict exists between agricultural product price policy and capital accumulation for industrialization. The first is the contest for limited capital to develop agriculture and basic industries. To increase the accumulation capacity of agriculture itself, the shortage of capital that ensues from reducing agriculture's contribution for industrialization has to be remedied. Second is the need for proper handling of the correlation between the development of basic industries and agriculture. If the investment of capital in basic industries and price readjustments give rise to conflicts with the development of agriculture, an optimum balance point linking the two will have to be found.

The goal in increasing farm product procurement prices is the narrowing of the "scissors" between prices of industrial and agricultural products to increase relative benefits for agriculture in order to advance the development of agriculture. Account must be taken of effects and chain reactions following a rise in farm prices. First of all, the objective foundation on which the "scissors" between prices of industrial and agricultural prices rests is the difference between labor productivity rates in the industrial and agricultural sectors. Raising farm product procurement prices too much without regard for this gap can cause an abrupt decrease in capital for national industrialization, attenuating the industrialization process. Second, any narrowing of the "scissors" between prices for industrial and agricultural products requires a rise in the agricultural labor productivity rate. This requires, in turn, a reduction of rural employment, shifting the surplus workforce to nonagricultural industries. Today, domestic market conditions for the high speed development of township and town enterprises have already been lost without the strengthening of basic industry capabilities to support their development. During the period of improving the economic environment and rectifying the economic order, large number of staff members and workers in township and town enterprises returned to agriculture, thereby increasing agriculture production costs and lowering the agricultural labor productivity rate. Third, following increase in agricultural product procurement prices, if peasants want to increase material inputs, it may be difficult for them to buy the needed agricultural means of production, or prices of agricultural means of production may rise correspondingly. In that case, a rise in agricultural product procurement prices causes a transfer of peasants' increased income to the industrial sector. It is

unable to produce capital for investment in the agricultural sector. Clearly, sole reliance on increases in agricultural product procurement prices cannot solve the problem of the relatively low returns from agricultural production.

For agricultural production to take a step upward, enabling peasants to increase output and increase earnings in a situation of increase in the level of material consumption for production, basic industries and basic facilities will have to be developed in order to provide agriculture with sufficient means of production and support development of township and town enterprises. Development of basic industries and basic industries requires, in turn, no less than a direct increase in capital investment and a rise in the rate of profit on capital. It goes without saying that under existing conditions, this would have a deleterious affect on the development of agriculture. Take capital investment. Since the industrial character of agriculture, and of basic industries and basic facilities lacks attraction for social capital, the main burden for capital investment will fall on the central government. The use of more limited capital for basic industries, the amount that agriculture can put to use will have to be reduced. Raising the profit rate on basic industry capital requires increasing prices of basic products in order to increase attractiveness to social capital, and to be able to bring into overall balance the relationship between capital input and output to attain self-accumulations and self-development. Moreover, raising prices of basic industry products inevitably propels a rise in the overall level of industrial goods prices. In the short run, this is not advantageous for the movement of product price relations in the direction of narrowing the "scissors" between prices of industrial and agricultural products. However, in an overall sense, the capacity of capital intensive basic industries to attractive the workforce is lower than that of light processing industries. Within the short run, greater inputs of capital into basic industries may result in industrial development weakening demand for surplus rural workforces. In the long run, it will turn around to support development of township and town enterprises, and also provide a material foundation for supplying the means of agricultural production. This is a problem of the ability of the national economy to bear the slow growth of agriculture in the short term.

On the basis of the foregoing analysis, handling of the correlation between agricultural product price policy and the accumulation of capital for industrialization during the Eighth Five-Year Plan will require compliance with the objective trend of the main source of capital accumulations coming from transfers from the agricultural to the nonagricultural sector, capital accumulations thereby not excessively hampering the development of agriculture, and also not being eaten into by the consumption of urban residents. Furthermore, in the process of agriculture's gradual decreasing contribution of capital accumulations for industrialization, new capital accumulation channels and patterns will come into being. In this connection, the following remedial ideas are floated:

First is the adoption of a whole body of measures in conjunction with the raising of agricultural product procurement prices to buttress agriculture. During the Eighth Five-Year Plan period, farm product prices will have to be readjusted each year, particularly for that portion of procurement within farm product plans. Currently, the state is contracting for the procurement of some agricultural products at low prices, the goal being to assure government's ability to have a source of supply of low priced farm products for city residents. Overly low procurement prices within plan has produced a two track system in which a disparity exists between plan and market prices of farm products. Only by narrowing this gap between the two tracks, gradually bringing plan prices closer to market prices can peasant returns from farming increase. Consequently, a gradual rise in procurement prices of agricultural prices within plan, expanding the percentage that the peasants may themselves sell is needed. As to the degree of price readjustment, the principle is that prices of farm products should be higher than prices of industrial goods.

A rise in agricultural product procurement prices can only solve the problem of the "scissors" between prices of industrial and agricultural products; it cannot change the "scissors" benefits distribution mechanism itself, nor can it reverse the direction of flow of "scissors" benefits after they are removed from the agricultural sector. Only the blocking of channels for the improper outflow of agricultural capital can the stimulative role of a rise in farm product procurement prices on the development of agricultural production be assured. Specific actions to be taken are as follows: (1) Improvement of the agricultural capital allocation mechanism to increase investment in agriculture. The key here is the need to clarify the obligation that all principal investors bear toward agriculture, and to employ withholdings for and use of dedicated agricultural development capital to achieve this. From the standpoint of the national government, no reduction in investment in agricultural fixed assets should result from an increase in procurement prices of agricultural products. Collectives and individual peasant households should likewise withhold a certain percentage of their earnings each year for an agricultural production development fund, this fund to be under centralized control of the local agricultural department in charge. (2) The state should also provide policy support for rural industrial goods production, particularly for the production of products such as chemical fertilizer, pesticides, and agricultural plastic sheeting. Such policy support should include special arrangements for capital to assure the supply of energy, and of raw and processed materials. The methods by which the means of agricultural production flow must be gradually improved, channels of flow kept open, and prices uniformly controlled to reduce the erosion of peasant earnings resulting from rises in prices of the agricultural means of production.

Next is bolstering of the national government's capital accumulation capabilities. This has two main aspects:

First is an increase in government revenues. In the relationship of the state to enterprises, perfection of the enterprise contract management responsibility system, and expansion of pilot projects for reform of the "separation of taxes and profits" should be employed to increase state revenues as a percentage of national income, and an area-by-area transitional tax apportionment system should be institute to increase central government revenues. An increase in the degree of central government financial centralization can actually enable the state to amass more of the benefits that accrue from the "scissors" between prices of industrial and agricultural products, the government arranging for their use. Second is readjustment of government expenditures, particularly readjustment of the subsidy structure. The emphasis of government price subsidies should be shifted from consumers to producers, and subsidies should also be correspondingly reduced. In a certain sense, the key to whether the state can raise procurement prices of agricultural prices on the basis of needs for the development of agriculture lies in whether it can check the impetus toward increase in price subsidies. During the Eighth Five-Year Plan, simultaneous with a rise in agricultural product procurement prices, agricultural product sale prices, particularly grain sale prices, must be gradually raised in accordance with the principles of cost accounting, the final sale price being largely equal to the procurement price plus costs incurred in marketing for the gradual reduction of government subsidies. By gradually reducing government price subsidies, allowing urban residents to bear a portion of the cost of agricultural price rises as their income level rises, the state can increase expenditures that increase accumulations. In essence, this reduces the portion of agricultural capital contributed for city and town residents' consumption. It increases government accumulations and capital plowed back into agriculture.

Basic industries are also an emphasis for government financial investment. The following several matters must be clarified in order to ease the conflict between the two large sectors of industry and agriculture for development funds: (1) Development of China's basic industries truly lags, yet the problem of overly rapid development of processing industries exists at the same time. Therefore, balanced investment of capital in industry must be founded on post-readjustment processing industry production capacity. (2) The amount of investment and the direction of investment of capital in basic industries are closely related. If more limited resources are used in technological transformation and in projects that are nearing completion to generate production capacity, capital can be saved. (3) The irrational industrial structure of township and town enterprises, and their overly rapid development are the main reasons that basic industries supply capabilities are relatively insufficient. It is necessary to provide more macroeconomic guidance to township and town enterprises, readjust the structure of industry, and carry out technological transformation

to raise the level of technology and expand the externally oriented components in order to ease pressures on basic industries.

Finally, in the pattern of national income distribution, the percentage of individual earnings has risen, and the portion of accumulation capital derived from individual savings has expanded markedly. This is reflected both in capital provided by agriculture being converted into city resident individual income, and also at the same time in our finding a way out of the problem of accumulating capital for industrialization after a shift from agriculture as the principal source of accumulation funds. Of course, following reform of the individual income system, including the price subsidy, housing, and medical treatment and education system, residents will have to carry greater expenditures of a consumption nature. However, as to whether one can say that should a rise occur in per capita income following institution of the foregoing reforms that a tendency toward a rise in residents' savings is an objective law, and that the role in accumulations of individuals as the main distributors of national income is bound to get stronger, the pattern of economic growth during the past 10 years of reform demonstrates this to be the case. In 1988, the government and residents' savings each provided approximately one-third of the country's total accumulations. In view of this financial state of affairs, the establishment of a "dual financing" system in which financing for policy purposes and financing for business purposes are separated is necessary. Bank investment of capital in basic industries must be guided by policy. A portion of national government capital expended from the purpose of increasing accumulations should not be directly reinvested in construction projects, but rather should be used as special funds for discounting, subsidizing interest rates for investment loans to underdeveloped sectors and industries, thereby employing regulation of product interest rates to channel the direction of capital flow. In this way, the pressure on agriculture to provide capital accumulations for industrialization can be gradually eased in the midst of a new national income distribution pattern during the Eighth Five-Year Plan for realization of a shift in the main source of capital accumulations and structural readjustment tasks during the country's intermediate and near term industrialization process.

Difficulties With Enterprise Reform

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[Article by Lu Yimin (0712 4135 3046): "Current Theories on Deepening Enterprise Reform"]

[Text] 1. Enterprise in Dire Straits; Policy Options

Since retrenchment began, the macroeconomy has changed drastically. While the results have been remarkable, a number of negative effects have also appeared. Some comrades have summed up the difficulties in

enterprises today as the "five problems": a poor environment, which makes it hard to manage an enterprise; a heavy burden, which has gotten onerous; fund shortages resulting from unpaid loans; the very limited autonomy enterprises have, which makes it difficult for them to make decisions on their own; and a lack of staying power, which hampers development. Other comrades believe that retrenchment has intensified the short-sighted behavior of enterprises in production and operations, which does nothing to help sort out the relations between enterprises and the state, between enterprises of different nature and types, and between the workers of an enterprise and the cadres.

We can sum up as follows the range of opinions put forward by the academic community to explain why enterprises now find themselves in a fix: 1) An overly stringent "double-tight" policy not only has excessively reduced the amount of money supply available to enterprises but also softened the market and slowed down currency circulation, preventing the enterprises' money supply from operating normally. 2) The sharp shrinking of the capital goods market and gross irrationalities in the price system since retrenchment began have prevented the recombination and reallocation of resources based on efficiency. 3) Retrenchment has not been accompanied by the establishment of a corresponding bankruptcy mechanism or the creation of a social security system with the result that labor and capital goods have not been cut back commensurately even as enterprise funds are trimmed. 4) Since retrenchment began, market monopoly and separatism resulting from local production not only has prevented a rational inter-regional allocation of resources but has also shut out foreign competition and protected backward enterprises. Some comrades argue that the current policy of "tilting toward" or "protecting" large- and medium-sized enterprises would further weaken budget restraints and make enterprises behave in an even more short-sighted manner. This is because: 1) the planned commodity economy deprives "protection" of an institutional base; 2) an economy of scarcity deprives "protection" of the necessary material base; 3) "protection" goes against industrial structural readjustment; 4) "protection" militates against reconciling economic interests between the state and enterprises; between large- and medium-sized enterprises and small enterprises; between industry and commerce, on the one hand, and agriculture, on the other; and between the coastal areas and the interior; 5) "protection" can do nothing to change the decline in the relative importance of state-owned large- and medium-sized enterprises since reform began.

How to help enterprises get out of their dire straits? The academic community has put forward these proposals and measures. 1) Turn the market around and end fund shortages plaguing enterprises: (a) Ease the monetary and fiscal policies as appropriate. End the slump on the market. Work hard to open up new markets for commodities so that there will be less finished goods tying up enterprise capital. (b) Invest an appropriate amount of

capital in enterprises in accordance with the demand of the national industrial policy, giving priority to those whose products sell well on the market. (c) Adjust the product mix and turn out popular marketable goods, which holds the key to ending enterprise fund shortages. 2) Straighten out the material interests distribution relations within an enterprise. Mobilize the work enthusiasm of both enterprises and workers. Improve the economic results of enterprises and increase effective supply. (a) Widen income differentials within an enterprise properly to break the egalitarian habit of "eating off the big rice pot." (b) Narrow the excessive income disparities between different trades and different enterprises that are caused by a variety of objective factors; (c) Develop enterprise groups and encourage enterprise mergers. Achieve economies of scale among enterprises. Promote specialization and cooperation between enterprises. Promote the reasonable circulation of accumulated funds. Some comrades have put forward three ways to achieve enterprise mergers depending on their nature, type, and scale: (1) one enterprise could buy up another; (2) one enterprise could assume the liabilities of another; (3) one enterprise merges with another. The first form is suitable for foreign-funded and private enterprises, while the second and third forms are suitable for state-owned enterprises. Concomitant with enterprise mergers is the need to auction off or lease surplus enterprise properties and lay off redundant personnel but offer them unemployment relief. 4) Take advantage of the weak market to establish the bankruptcy mechanism by leasing or auctioning those small enterprise that are deeply in the red and are structurally unsound. Such a move would help save official subsidies and relieve the government's fiscal crunch. Moreover, it would contribute to structural adjustment and scale optimization. Enterprise bankruptcy should be introduced hand in hand with the establishment of a social security system. 5) Create an external environment favorable to enterprise development. (a) Establish a level playing field on the market. Increase the pressure to accumulate. Clearly delineate the boundaries between the state and the enterprise in the distribution of incomes and funds. Strengthen enterprise budgetary restraints. Eliminate monopolistic practices resulting from institutional or natural conditions. (b) Create a relaxed policy environment. For instance, the incomes distribution policy should continue to favor enterprises. Cut enterprise tax rates and strictly prohibit assorted irresponsible financial levies on enterprises so as to enable them to make more money and accumulate more money. 6) The most fundamental way to get enterprises out of their plight remains the deepening of enterprise reform to solve underlying problems. But there are different opinions in the academic community as to how to deepen enterprise reform.

2. Enterprise Property Rights and the Separation of Ownership From Management

1) The concept of property rights. The discussion on enterprise property rights within the economic academic community in recent years has been highly useful, but

there is a lack of precision and clarity in the way people use the "property rights" concept. In some cases, "property rights" refer to ownership under the law. In other cases, it refers to ownership (actually possession) in an economic sense. In yet others it refers to the right to manage property in a daily context. Thus when people discuss changes in property rights, they also have different things in mind. To make the discussion more meaningful, it is imperative that we strictly define the concept of "property rights." Most comrades agree that property right is ownership. And, in the Marxist analysis, ownership can be divided into economic ownership and legal ownership. Yet others refer to the legal ownership of properties owned by the whole people as "ultimate property rights" and "economic ownership as 'ultimate representative property rights.'" In addition, they identify two other kinds of property rights, namely "legal-person property rights" (referring to the actual possession of properties owned by the whole people) and "legal-person representative property rights" (referring to day-to-day management right within an enterprise owned by the whole people).

2) Are property rights in enterprises owned by the whole people fuzzy? In the discussion on enterprise reform in recent years, a good number of scholars argue that property rights in state-owned enterprises are ill-defined and cite it as the fundamental reason why such enterprises have weak budget restraints and lack the ability to operate independently on their own. Yet others are skeptical about this viewpoint. Broadly speaking, there are two schools of thought among the skeptics. One, property rights in state-owned enterprises are clear. The properties of enterprises owned by the whole people belong to all the people. This is explicitly provided for in the Chinese constitution. The current enterprise indifference as to whether properties increase in value or depreciate has many explanations and cannot be blamed on property rights in a simple-minded and sweeping fashion. The other school of thought argues that the property relations of China's state-owned enterprises have traditionally been characterized by "one clear and three unclears." What is clear is the legal ownership of the fixed assets of enterprises. What is unclear is the economic ownership relations of properties owned by the whole people, actual possession relations, as well as management rights.

3) Separating ownership from management compared to the theory of "delegating power and giving up profits" that was popular in the early days of reform, the theory of "separating ownership from management" represents a major step forward in enterprise reform. The contract system that China's large- and medium-sized enterprises are practicing today is precisely based on this principle. In the past couple of years, comrades have come up with different ideas. Broadly speaking, the following viewpoints can be found in the Chinese economic community on the issue of "separating ownership from management": 1) Integrate ownership with management. People of this mind argue that it will not work to reform China's

enterprises owned by the whole people along the line of "separating ownership from management." This is because the objective of enterprise reform is to turn the enterprise owned by the whole people into a truly independent commodity producer. To be such a producer, the enterprise needs not only the power to manage, but also ownership right, that is, the power to dispose of enterprise properties. Thus ownership and management should be combined, not separated. 2) "The theory of separating ownership and management completely." This theory holds that as is the case in the enterprise contract system, the so-called separation of ownership from management is only partial separation. It has not touched upon the existing state ownership system. Nor has it changed the economic relations between the state and the enterprise. To turn the enterprise into a truly independent commodity producer, we must completely separate ownership from management. That is, the state should retain its ownership of the enterprise while turning over management to the enterprise completely. Economic interest relations between the state and the enterprise should take the form of a contract. Accordingly, the total separation of management from ownership should be the thrust of the drive to deepen enterprise reform. 3) The "theory of the partial separation of ownership and management." This theory argues that the full separation of ownership from management is a form of state private ownership. It is compatible neither with socialist economic development nor with the reality in enterprises owned by the whole people. The only possible way to separate ownership from management is to do it partially, the extent of separation varying from case to case depending on the degree of socialization of the enterprise or trade in question and its position in the national economy. 4) The "theory of multi-level separation." People who hold this viewpoint argue that the reform of the traditional state-owned state-managed model and the delineation of the property rights boundaries within the sector owned by the whole people must rely on the separation of ownership from management on three levels. On the first level, that is, the level of state-owned organs and institutions, separate the legal ownership of properties owned by the whole people from their economic ownership. On the second level, that is, the level of state properties management agencies and enterprises, separate economic ownership from the actual possession of properties by enterprises. On the third level, that is, within the enterprise, separate the actual possession of properties owned by the whole people from their management. 5) The "theory of combining separation with integration." This viewpoint holds that as ownership is divided into economic ownership and legal ownership, the ownership and management of state-owned properties in enterprises should be separated as well as combined. In this context, separation refers to that between legal ownership and management and combination to that between economic ownership and management. Thus, it is argued, we should establish a new socialist enterprise system in accordance with the theory of combining ownership with management on the basis of separating them.

3. Mainstream: How To Interpret and Further Improve the Enterprise Contract System

It has been four years since the enterprise contract system was widely introduced in enterprises owned by the whole people in 1987. On a theoretical level, however, people in the academic community still have differences of opinion, some positive, some negative, regarding the contract system. But whether they think it is good or bad, they all agree that the contract system as practiced now is far from perfect. Broadly speaking, these are the major shortcomings of the contract system: 1) the contract base figures are not calculated properly; 2) the responsibilities of the party that issues the contract are not clearly specified; 3) contract targets are not comprehensive and as such lack full restraining power; and 4) the tendency to regard contracting as a panacea has made enterprises behave in an even more shortsighted manner.

When it comes to the various problems that have appeared in the practice of the contract system, there is a group in the theoretical community which holds that these problems are inherent in the contract system itself and not something that the contract system can resolve. This is because when we reform in accordance with the theory of the separation of ownership from management within the framework of state ownership, the result is either one of these: the decision-making authority of the enterprise is not ensured by a property system or decision-making authority erodes ownership. When we adhere to state ownership strictly, we basically make it impossible to create the kind of enterprise property system that a commodity economy needs. People in this camp believe that even when public ownership is interpreted to mean social ownership, it will perhaps lead to the division of public properties. Alternatively, we may not be able to identify the principal owner. For this reason, the failure of enterprises to assume losses even as they assume responsibility for profits is inherent in the contract system. The mystery now facing reformers trying to perfect the contract system is to figure out how to turn enterprises into genuine commodity producers on the basis of public ownership. Those who have a positive view of the contract system argue that as a new enterprise system, the contract system will unavoidably create some negative effects in the course of practice. However, we must distinguish between two sets of reasons of different nature and should not judge the future of the system by its initial problems. The contract system is a realistic option for a nation that follows public ownership as it tries to create a commodity economy. Yet others say that while the contract system has run into a host of difficulties, this does not mean that it has outrun its usefulness. For some time to come, barring the emergence of a better enterprise organizational method, we probably have no choice other than the contract system. This positive view toward the contract system is the mainstream in economic thought in China's academic circles and among people in enterprises.

How then can we make the contract system better? From their different perspectives, academics have come up with a range of proposals that complement one another. One opinion is that setting a reasonable contract base figure is the key to improving and developing the contract system. People of this mind identify three changes that must be made in determining a new round of contract base figures. First, the one-on-one one-way bargaining type of contracting must be replaced by multiple-choice contracting that integrates the reality in the enterprise with the average level in the trade or locality concerned in order to reflect the demand of the law of value. Second, replace static contracting with dynamic contracting or elastic contracting that reflects changes in the market, realizing the dual demand of the planned economy and market regulation. Third, replace closed contracting with open contracting that goes hand in hand with the optimization of the industrial structure and enterprise management in order to reflect the demand of the national industrial policy. Yet other comrades suggest that making the most of workers as masters lies at the heart of the drive to improve and develop the contract system. A basic prerequisite for improving and developing the contract system is strengthening the responsibility mechanism within the enterprise. Furthermore, they argue, the contract system must be made part of the effort to integrate the planned economy with market regulation. We must also work extra hard to achieve related reforms inside and outside the enterprise and do everything possible to avoid disruption by non-contract factors. Another school of thought is that the improvement and development of the contract system must rest on a reformed property rights system. To turn the enterprise into an independent commodity producer and operator, therefore, we must change the mode of contracting strategically, that is, turn individual contracting into all-staff property contracting. All-staff property contracting is aimed at perfecting the state properties management system and achieving true separation between government administration and enterprise management. In such a contracting system, the entire staff of the enterprise will be the key player. The idea is to establish a true enterprise legal-person system. Within the enterprise itself, this kind of contract system seeks to combine the "two-power-in-one" system with the "separation of ownership from management" to create management mechanisms. A third opinion is that we must not consider the reform of the property rights system as the only way to deepen enterprise reform but should put our stress on improving internal enterprise operating mechanisms as a way to better the contract system. For instance, the development of internal enterprise motivating mechanisms is closely related to the change in property rights relations. Straightening out internal enterprise distribution relations so as to mobilize worker initiative also deepens enterprise reform.

4. The Shareholding System: The Direction for State-Owned Enterprise Reform?

The shareholding system is the basic enterprise format in the modern commodity economy. In China today, however, shareholding is still in its trial phase. The discussion on the shareholding system in the academic community concentrates on these issues: 1) Is the shareholding system a realistic option for China's socialist commodity economy? 2) Is it operable? 3) Is it compatible with socialist public ownership? 4) Can the shareholding system become the direction for reform for large and mid-sized state-owned enterprises?

People who think otherwise believe that as an organizational format for the modern economy, the shareholding system requires a specific set of conditions: one, orderly strict legal rules and supervision and, two, access to information. What is needed is a highly developed banking system and a comprehensive financial information transmission, reception, and feedback system. With its current underdeveloped commodity economy, China is unequipped to introduce a shareholding system. Other comrades conclude from the state of China's pilot projects in the shareholding system that our current crop of shareholding enterprises are not risk-taking, their shares do not circulate, and that the system is unsound. So they argue, first, that the shareholding system does not really clarify enterprise property rights, and, second, that the system would worsen the problem of inequitable distribution of incomes. Third, compared to the traditional state-owned enterprise, an enterprise where the state is the shareholder is not all that different, but merely a case of "old wine in new bottle." As shareholder, the state will directly interfere in the operations and management of the enterprise. The results could be even worse than is the case in a nonshareholding situation. Fourth, if shares do not circulate freely, they will not be able to fulfill their role of allocating resources properly. But once shares (especially personal shares) do circulate, it suggests that the status of the state as a key player in the enterprise and even the nature of public ownership itself may be threatened. In short, the shareholding system both violates the principle of socialist public ownership and is incompatible with the reality in China's commodity economy. Thus the shareholding system does not provide a way out for the reform of socialist enterprises, particularly large- and medium-sized state-owned enterprises.

Comrades who have a positive view of the shareholding system contend that there are three theoretical barriers to research on shareholding enterprises in China at present. One, people simple-mindedly equate the shareholding system with the modern commodity economy. Two, they fail to see the shareholding system as an economic format that is also in need of constant improvement. Third, they simply mindedly equate the shareholding system with the Western-style shareholding system. Assorted irregularities that have occurred in some enterprises trying out shareholding have also helped damage the image of the system. The following problems may be found in enterprises (including the stock market) currently carrying out pilot projects in the

shareholding system: 1) There is a limited variety of shares traded, in terms of both type and quantity, not enough to constitute a real stock market. Enterprises experimenting with the shareholding system are not subject to rigorous standardized property assessment. There are no regular appraisals. No enterprise financial disclosure system exists. 3) The "extra-stable earnings" of shareholders put shareholding enterprises under tremendous pressure. 4) Also lacking is the necessary legislation. Comrades in this camp believe that although a string of conditions must be satisfied before shareholding can be implemented, we cannot possibly wait for all these conditions to be in place before we introduce the system. It is all a question of relativeness. Moreover, some of these conditions must be created in the course of putting together a shareholding system. We must persevere in the direction of the shareholding system and steadfastly continue the pilot projects even when conditions are not there for its implementation across the board.

How to further reform the shareholding system? Much attention has been paid to that by the academic community. Comrades who view shareholding favorably generally say that China's shareholding system with socialist characteristics cannot be based on the Western model. In reforming China's shareholding system, we must proceed from the simple to the complex, from a few selected areas to the whole picture, from small enterprises to large enterprises. Their discussion has yielded the following working lines of reform: One, "first collective, then state-owned." In other words, start with rural township and town enterprises and urban collective enterprises. When the groundwork is laid, move onto state-owned enterprises. The idea is to avoid the economic confusion that may result when the operations of the existing state-owned economy are disrupted before the basic order of the shareholding economy is established. Two, "increase quantity first, accumulate quantity later." This includes: 1) Coordinate with new investment projects and bring newly built enterprises into the orbit of the shareholding system. 2) Take advantage of the drive in the 1990's to transform old enterprises in order to put the ownership of new properties in existing state-owned enterprises under the shareholding system. 3) In cooperation with the development of Sino-foreign joint ventures, we should turn some of the idle properties of state-owned enterprises into shares and sell them to foreign investors. That way some of our existing assets may gradually be brought into the shareholding system. Three, superficial levels first, deeper levels later. That is, concentrate on the superficial functions of the shareholding system first, such as raising funds and developing an investment consciousness. For starters, we may do the unorthodox thing of trading without shares by issuing noncirculating shares. When conditions are ripe, we can then make use of the shareholding system to allocate resources properly and serve other more complicated functions. To put it differently, over time we should establish shareholding enterprises as well as a stock market that trades shares and is more regularized.

5. Integrating Planning With the Market at the Micro-economic Level

The goal of China's economic reform is to establish a management system and a set of economic operating mechanisms that integrate the planned economy with market regulation. Obstacles to integrating planning with the market can be found not only in the operations of the macroeconomy but also in a concentrated form at the microeconomic level. A wide-ranging discussion has been going on in the academic community on the formats of integrating planning with the market. These are the major points of view.

One point of view is that the tangible expression of the integration of planning and the market in enterprise operations and activities is a mix of command planning, guidance planning, and market regulation as well as the mix of the three within each one of them. Specifically, the relative importance and scope of command planning, guidance planning, and the market should be determined in accordance with the nature of the ownership system and the enterprise in question, the production sector and industry the enterprise belongs to, and the product being made.

Another school of thought is that although the market can regulate economic activities at the microeconomic level more effectively, not all such activities should be turned over to the market. The government should continue to directly regulate certain industries and products using such tools as quantitative signals and rationing. In a planned commodity economy, regulation through prices and regulation through quantity may coexist and supplement each other. The result is a kind of "jikuai" combination bringing together planned regulation and market regulation.

A third school of thought looks at the integration between planning and the market from the perspective of the contract system and argues that the new round of contracting must comply with the principle of integrating planning with the market. Specifically, the contract system must be further institutionalized in accordance with the demand of the state plan, mainly by specifying output targets, profitability targets, and the expanded reproduction increase target. In addition, the enterprise must operate and produce in a way that is oriented toward the market and subject to the direction of all government policies and economic tools. Enterprises must change their operating mechanisms in accordance with the principle of integrating the planned economy with market regulation and enhance their ability to adapt to the market by orienting themselves to the market so that under the dual restraint of planning and the market they can operate flexibly and become genuine commodity producers and operators.

Enterprise Groups' Impact on Economic Restructuring

91CE0356A Beijing JINGJI CANKAO BAO in Chinese
27 Jan 91 p 4

[Article by Shi Xiangxin (4258 0686 2946): "The Significance of Enterprise Groups in Structural Readjustment"]

[Text] The most unique and important function of enterprise groups is the optimized realignment of resources. It is particularly important at present to vigorously develop enterprise groups in a timely manner to give an impetus to the readjustment of the economic structure as a whole. This is necessary for consolidating and developing the results of the rectification and improvement campaign. It is also an objective demand for China's economy to get on a long-term, sustained, stable, and coordinated development track.

The Significance of Enterprise Groups in Readjusting Economic Structure and Increasing Economic Efficiency

First of all, organizing enterprise groups is an important way to readjust the existing amount of productive factors. While ways to regulate the amount of new funds are limited and so are their effects, developing enterprise groups can facilitate the readjustment of existing resources, realize the specialized division and cooperation of work, and achieve the appropriate scale of management.

Second, organizing enterprise groups can provide a material basis for the readjustment of product mix. Enterprise groups which have gone through the optimized realignment of productive factors not only have a greater capability to develop products themselves but also can stimulate through the chain reaction of coordination and supplementary operations a large group of small and medium-sized enterprises to readjust product mix, thus overcoming difficulties caused by scattered productive factors in readjusting product mix.

Third, organizing enterprise groups is conducive to breaking up regional barriers and divisions between central and local governments and neutralizing the negative effects of separated financial management and enterprise contract systems.

Fourth, organizing enterprise groups can ensure that structural readjustment will be carried out. 1) When enterprise groups merge, contract, and lease inferior enterprises, due to their superior strength, they can absorb the negative factors of the inferior enterprises and reduce social frictions. 2) It is an important means of developing the backbone function of large and medium-sized enterprises. Since large and medium-sized enterprises are the core of an enterprise group, developing enterprise groups can encourage, facilitate, and help medium-sized and small enterprises further rationalize

their economic structure and through their efforts provide system guarantees and operational rules for the market structure.

Several Suggestions on Perfecting and Developing Enterprise Groups

1. Provide policy regulations and guarantees for the development of enterprise groups. First, the enterprise group development policy should come from industrial policies such as the policy on the scale of economy of major products, the policy to facilitate specialized reorganization, the policy on enterprises' organizational structure, and the policy of insurance. Second, the intensity of retrenchment should be readjusted. The major beneficiaries of lower interest rates are medium-sized and small enterprises. Without accompanying structural optimization and effective control mechanism, it is very likely to lead to another economic overheating and inflation. Because of this, it is necessary to properly raise interest rates. Third, the enterprise bankruptcy system should be carried out conscientiously. This can turn the idling of invisible productive capacity into the rational circulation of visible productive factors between enterprises so as to clear the way for the development of enterprise groups. It is necessary to implement in an all-around-way the workers' contract system and encourage workers of different ownership systems to work in the same posts. The trend of thought that the state, enterprise, and workers share the responsibility should be used to reform and perfect the social security system. Currently, we may borrow the practice of some localities which combine unified planning and insurance and use unified planning to supplement and facilitate insurance to gradually transfer to the stage of unified planning and insurance for entire society.

2. Perfect the management system of enterprise groups. We should find a way to give enterprise groups greater decision-making power and carefully expand the scale and authority of this category. We should use the characteristic of enterprise groups which can turn enterprises' external management to internal management and gradually change the government's direct management of enterprises to the indirect regulation and control of enterprise groups. The speed and scale of the development of enterprise groups should conform to the state's macroeconomic regulation and control ability and China's national conditions. They should not be simply copied from foreign practices. Attention should be paid to avoiding the organization of enterprise groups for the simple purpose of monopolizing or dividing up the market. While regarding the trend of thought of development, we should consider large- and medium-sized enterprise groups as the backbone and medium-sized and small enterprises as the basis, and vigorously develop enterprise group reserves, namely semi-intensive production-management integrated bodies, loose industrial coordination networks, and economic

technological coordinations and integration between different regions, ownerships and industries which have formed the structure of stairs leading to the development of enterprise groups.

3. Implement stock-controlled mergers among enterprises of different ownerships, promote free transfer-type mergers within enterprises owned by the whole people, and simplify procedures and speed up the progress of group organizations. Such targets as enterprise loans and projects of an enterprise which has been merged should be transferred to the merger. Enterprises in which industrial production is linked to efficiency should be allowed to keep two books in the transition period to absorb and alleviate the unfavorable factors created by the enterprise groups.

4. Speed up the integration of monetary and industrial capital. Credit organizations such as banks should, through the credit level, play a greater role in organizing enterprise groups.

Suggestions for Invigorating State-owned Enterprises

91CE0355A Beijing JINGJI RIBAO in Chinese
6 Feb 91 p 2

[Article by Yuan Baohua (5913 1404 5478): "Suggestions for Invigorating Large- and Medium-Sized State-Owned Enterprises"]

[Text] The CPC Central Committee and State Council have paid a great deal of attention and taken many steps since the Third Plenary Session of the 11th CPC Central Committee to invigorate enterprises, large- and medium-sized state-owned ones in particular. While this has somewhat changed the past situation in which large- and medium-sized state-owned enterprises had "great responsibilities, few rights, and heavy burdens," certain long-accumulated deeper conflicts and new issues that have arisen in the course of improvement and rectification, have left enterprises in still considerably adverse circumstances. This can be seen mainly in the soft markets, slack demand, overstocking of products, shortage of funds, inability to upgrade technology, slow structural adjustment, certain factories operating under capacity, and the decline in economic efficiency. The current issue is how to invigorate enterprises. The Seventh Plenary Session of the 13th CPC Central Committee has reemphasized this issue, considering it to be of urgent immediate and key long-range significance, and a major task that must be achieved through reform. As to how to invigorate enterprises, large- and medium-sized ones in particular, Premier Li Peng favors taking resolute and forceful steps in the two areas of external environment and internal management to enhance the self-growth, self-upgrading, and self-restraint capabilities of enterprises, large and mid-size state-owned ones in particular. Based on the circumstances and views reported by all at the most recent meetings of factory directors, I am making the following 16 suggestions for

improving the external environment and enhancing the internal management of enterprises.

It Must Be Made Clear That the Guiding Ideology in Improving the External Environment for Enterprises Is the Need To Enhance Their Self-Growth, Self-Upgrading, and Self-Restraint Capabilities, in Order To Truly Turn Them Into Socialist Commodity Producers and Managers That Have Management Decisionmaking Power, Are Fully Responsible for Their Profits and Losses, and Are Capable of Accumulating on Their Own Initiative. These Are the Steps That Enterprise Comrades Most Often Say Must Be Taken To Invigorate Enterprises.

1. The most important and crucial step is to separate government ownership and administration from enterprise management. Only in this way can enterprises be given genuine decisionmaking power. While the CPC Central Committee and State Council have taken many steps to resolve the issue of enterprise decisionmaking power, these steps have always been inadequate, and whatever authority was devolved to lower administrative levels has always been taken back, about which enterprises have many complaints. The key to separating government ownership and administration from enterprise management is to ensure that enterprises are given decisionmaking power, i.e., to thoroughly change the status of enterprises by liberating them from their subservience to the government. All decisionmaking power in China's state-owned enterprises lies with the higher authorities, and enterprise management has become more and more like foreign affairs administration, in that it has "limited authority." In order to truly invigorate large- and medium-sized state-owned enterprises, it will be necessary to take the route of separating government ownership and administration from enterprise management.

2. Taxes must be reduced to lighten enterprise burdens and nurture national revenue sources. The former talk of "turning on the water to fill up the fishpond" has changed to giving out a bigger piece of "the pie." The only way to resolve fiscal difficulties is to increase income and decrease expenditure, and "it is necessary to give first in order to get in return." Decisionmaking power is the very thing that must be given first to get increased revenue sources in return. As resolute steps must be taken to invigorate large- and medium-sized enterprises, it would be best to go ahead and take the risk. Moreover, firm steps must be taken to plug loopholes through which profits are being lost, and a resolute struggle must be conducted against arbitrary imposition of fines, collection of fees, and apportioning of expenses.

3. Policy must be stabilized, and the contract management responsibility system must be adhered to and improved, so that the relations between the state and enterprises can be handled correctly. The need to study the experience of the Capital Iron and Steel Corp (CISC), in order to invigorate large- and medium-sized enterprises, has been pointed out recently in Beijing. Since CISC put the contract management responsibility

system into effect, its profits have increased at an average rate of 20 percent a year, and they are expected to grow at the same rate in 1991. Moreover, CISC has slanted its profit distribution toward expanded production and increased accumulation, made sure to leave itself some leeway in its distribution to individuals, and not used up all of its reward funds. The major reason why CISC has made such a great contribution to the nation by achieving both speed and efficiency, is that the state has granted it preferential policies and contracts. Stabilizing policy also includes adhering to and improving the factory director responsibility system and conscientiously implementing the "State-Owned Industrial Enterprise Law."

4. Taking vigorous steps to adjust the economic structure is the way to effect a permanent cure. Priority should be given to slanting increased investment policies toward building stronger basic industries and infrastructures. In adjustment of savings, a policy of optimum disposition of key production factors should be followed, production changeovers, mergers, and joint ventures should be carried out, enterprise groups should be developed, professional cooperation should be organized, and neither "small but complete" or "large and complete" should be practiced. Enterprise product mix must be brought into line with industrial policy.

5. The circulation order must be rectified and all barriers must be broken down, in order to conscientiously stimulate circulation. The current not only regional but also professional barriers, and increasingly serious protectionism, are very detrimental to the maintenance of normal economic ties throughout the country. Our huge market of 1.1 billion people is our advantage, which we would not have if we carved up our market. While the State Council has taken certain steps in this area, issues, such as "triangular debts," need further emphasis and resolution.

6. Vigorous support must be given to upgrading enterprises, in order to enhance enterprise growth stamina. The state must seize the current favorable opportunity by taking firm steps to carry out a number of technological upgrading projects, the opportunity for which might be lost if they are not started. As enterprises need input and funds to upgrade their technology, the following steps should be taken: (1) The fixed assets depreciation rate must be raised, and depreciation funds should be exempt from all taxation. Despite the existence of fiscal difficulties, we must stop resting on our laurels or our enterprises will collapse. (2) Enterprise retained profits must be increased, and production development funds must be ensured. (3) Interest rates must be lowered for technological upgrading loans. In principle, enterprises must be able to repay loans profitably. (4) Bonds and, upon approval, even stocks, should be sold experimentally.

7. Further reforms must be carried out, including enterprise reform and ones in areas, such as planning, finance,

taxation, banking, labor, wages, foreign trade, commerce, materials, and pricing. Moreover, there must be more opening up to the outside world. Many enterprises report that while it is easy to sell a machine overseas, it is hard to get out of China to maintain or service it, for which the approval formalities can not necessarily be completed in 3-5 months. In summary, the policies, plans, and measures drawn up in the course of further reform and opening up to the outside world, must help to invigorate enterprises, large- and medium-sized state-owned ones in particular.

8. Our macroeconomic regulation and control capability must be enhanced. In this area, our socialist orientation, planned commodity economy, and national unity must be adhered to, instead of each going his own way. While the slogan put forward by the State Council, that "major matters must be controlled tightly, while minor ones can be handled more leniently," originally referred to certain large construction projects and major policies, it was later misread and used to tightly control large- and medium-sized enterprises, which has sapped their vitality. While major matters certainly must be controlled well and with vigor, and minor ones must also be controlled strictly, neither should be overcontrolled. Legislation and acting according to law are needed to grasp this dynamic. It will be necessary to build a more competent staff of macroeconomic controllers and supervisors, in order to establish a macroeconomic regulation and control system for our national economy that has a strong macroeconomic regulation and control capability and can fully invigorate enterprises.

In addition to taking these eight steps, others factors, such as the social atmosphere, honest government, thrift and hard work, self-reliance, ideological indoctrination, and professional ethics, must be given attention, in order to create a better external environment for enterprises.

On the Other Hand, Enterprises Must Look Within Themselves, Further Improve Their Internal Management, Deepen Their Internal Reforms, and Work Hard To Create a Better Internal Environment and Microeconomic Climate.

1. Enterprises must develop a more vigorous approach. In other words, when confronted with difficulties, they must boldly accept the challenge, take active steps on their own initiative, and fight to be more enterprising. As the masses say, "As troubles seem more difficult at home, the remedy is to find outside solutions," and "provided the approach is vigorous, there will always be more solutions than difficulties." The experiences of many enterprises in fighting their way out of predicaments prove this point. This means that enterprises must have leaders with a spirit of solidarity and militancy, and a corps of staff members and workers who are tempered, idealistic, ethical, educated, and disciplined. This means that the building of our spiritual and material civilizations must be better coordinated, our ideological and

political indoctrination must be increased, and the proficiency of our enterprise leaders, staff members, and workers must be improved.

2. A correct management mentality is needed. It will be necessary to correctly handle the relationship of size and speed to quality and efficiency, and to firmly take the road of quality and efficiency to expand our economy. Moreover, the path of self-reliance and tough pioneering must be taken, and our use of foreign investment must be based on strengthening our self-reliance capability.

3. Enterprises must look within, practice thrift, and tap latent potentials. While everyone acknowledges that our enterprises waste a lot, a lot of waste gives a lot of potential for improvement. For instance, our best enterprises in industries, such as instruments and meters, are 11 percent to 56 percent more efficient than the average for the industry; our best enterprises in industries, such as coal, metallurgy, and textiles, are 60 percent to 141 percent more efficient than the average for these industries; and our best enterprises in industries, such as tobacco and food, are 155 percent to 374 percent more efficient than the average for these industries. This point is convincing and, as enterprises have such great internal potentials, they should look within, practice thrift, and tap latent potentials.

4. Emphasis must be placed on adjusting product mix. The correct approach is to adjust it quickly, because the sooner it is adjusted the quicker the initiative is gained, and vice versa; by not adjusting it loses the initiative. The only way out is to keep a close watch on markets, suit products to markets, and adapt factories to products.

5. Technological advances must be emphasized. When upgrading their technology, enterprises must pay attention to the word "technology," and focus on upgrading their technology, equipment, techniques, and products.

6. Strict control must be combined with democratic management. It is of primary importance to enhance our management mentality. In other words, management must be emphasized and management concepts must be changed. We must set up a strict planning control system, a centralized and efficient production management system, and a comprehensive quality control system for all personnel and all processes. The key to democratic management is the status of staff members and workers as the masters. Strict control must be based on the awareness of staff members and workers, which means heightening their awareness that they are truly the masters of their enterprises.

7. The contract management and factory director responsibility systems must continue to be adhered to and improved. The contract management responsibility system must be adhered to and improved by rectifying its defects on one hand, and breaking down contract responsibilities, rights, and interests level by level on the other. Not only the relationship between the state and enterprises, but also that between enterprises and their staff members and workers, must be further resolved, so

that "the heavy responsibilities are shared by all, and everyone has individual targets to achieve." Moreover, emphasis must be placed on learning how to separate taxes from profits. We must deal with this matter objectively, and conscientiously handle issues that are crucial to further deepening enterprise management reform in China. In adhering to the factory director responsibility system, a key unshakable point is that all parties must support the central position of the factory director. At the same time, it must in no case be forgotten that factory directors must rely firmly on the party and the masses.

8. Reform within enterprises must be deepened. It now seems that the key to deepening reform within enterprises is to optimize our labor force, by conducting strict proficiency assessments and adhering to the principle of distribution according to work. In other words, the key problem is how to break the "big pot out of which everyone eats," or the "iron rice bowl." Unless this problem is solved, it will be impossible to bring the superiority of socialism into full play, and our invincible position will be lost. The experiences of many enterprises have proved that a burst of deepening of internal reform is fully capable of forming a better internal environment and microeconomic climate, which can help to surmount certain difficulties created by the external environment.

Problems in Adjusting Industrial Structure, Suggestions

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BAO in Chinese 11 Feb 91 p 4

[Article by Li Jingwen (2621 0079 2429): "Problems in the Restructuring of the Industry and Measures To Be Taken"]

[Text] In the course of two years of implementing the policy of improving the economic environment and rectifying the economic order, some progress has been achieved in readjusting the industrial structure. However, irrational problems that remain in the industrial structure are still very extensive.

Backward conditions in basic industries, in agriculture, energy sources, communications and transportation, as well as in the production of raw and semifinished materials, have by far not yet been remedied.

1) The year 1990 was a year of an abundant harvest in agriculture. However, due to China's population increase of over 60 million during these almost five years, per capita production of grain registers a decline. At the same time, the rate of forest cover is only 12.9 percent and provides less than 3 billion cubic meters of mature timber for harvesting, while the annual consumption exceeds 3 billion cubic meters.

2) There has been no change in the condition of communication and transportation equipment; it is seriously insufficient, of low technological level, overburdened, and its repair and maintenance has been neglected. At

the end of 1989, the total length of state-run railways was 53,200 km, and the length of highways with motor vehicle traffic 1.01 million km, of which only 23 percent were asphalt or cement surfaced. Among the inland waterways, only 5 percent are deep enough for 1,000-ton ships. It was initially forecast that by the year 2000, total passenger transport and freight turnover would be double or treble the 1988 volume, but that demands that the communication and transport industries will still accomplish large developments.

3) Resolution of the recent strained situation in energy sources is a precondition for rectifying the general state of idleness of production capacities in the manufacturing industry; the gap that exists there is still quite large, while the prospects for increases in energy sources give no cause for optimism. As soon as the policy of macroeconomic restraints will be further relaxed, the lack of energy sources for consumption is bound to reappear again.

Industries and products for which the industrial policy of the state clearly prescribes that their development shall be restricted have not been effectively controlled. In their production, some localities and departments are still exceeding state quotas and giving preference and support to the production of motorcars, motorcycles, small cotton mills, etc. In the area of constructions, they exceed state quotas when making production of motorcars, color television picture tubes and plastic cabinets, refrigerators, air conditioners, and video recorders, primary items of development and continue to erect new constructions or expand existing constructions for their manufacture. They still import consumer goods for which China has domestic production capabilities, or the importation of which is strictly restricted. High-class durable consumer goods or high-prices commodities of secondary quality are being stockpiled, while there is great shortage of some particularly market-sensitive commodities and easily selling well-reputed brands of special new goods suited to market requirements. Especially articles of daily necessities and small commodities are sometimes sold out and not offered anymore because there is not much profit in their production or trading.

There is incongruity in the developmental progress and structures among enterprises of various different ownership systems and among enterprises of differing scopes. In the 2.2 percent growth of industrial production during the first six months of last year, township-run industries and other industries run on economic lines had advanced 2.48 percentage points, while industries owned by the whole people had advanced only by 0.31 percentage points. Especially large- and medium-scale industrial enterprises, in spite of some supportive measures adopted by the state, had production increases of only around 1 percent during the said semester, yielded declining amounts of profits and taxes, had huge increases in losses, and 5.8 percent more expenditure than comparable product costs.

The irrational state of the technological component is still very serious. There are now over 100,000 enterprises of the engineering industry, but less than one-fifth are capable of developing new items, and only around 30 percent manufacture goods that attain international standards of the 1970's and 1980's, while around 70 percent of their products are low standard, old products.

The main obstacles obstructing industrial restructuring are:

The distorted price structure, which has never been fundamentally reversed; financial contracting and enterprise contracting, measures which have contributed to the development of pluralistic ways of distribution in China's mechanism of profit distribution, and have created the present contradiction between the pattern of profits and structural optimization. Under the financial system of "contracting at different levels, preparing their own meals at separate kitchens," each level of government and each department in charge of certain affairs constitutes one profit entity, and these will invest in manufacturing where a small amount of investments will yield quick results and high profits. As a result, a region's industrial structure and its product mix will go the same way, causing large-scale indiscriminate construction and duplicative deployment. Especially in troubled times of weak market conditions, some localities and departments will adopt certain protective measures, delimit territory as their own restricted reserves, keep superior goods from somewhere else out, and thus artificially protect backward enterprises and the production of uncompetitive, unmarketable products.

The contradiction between stock adjustment and social stability, between adjustment by quantitative increases and insufficient funds. As things have been recently, our preference should be for stock adjustments, i.e. effecting the transfer of key elements of production through the renovation and transformation of existing enterprises and through closure, suspension, merger, and retooling. However, funds are lacking for the renovation and transformation of old enterprises, and the closure and suspension of enterprises will bring unemployment and social unrest, endangering social stability. In the long run, our efforts to achieve a more rational industrial structure must rely on an adjustment toward quantitative increases, i.e. an adjustment to be achieved by increased investments and by an adjustment of the investment structure. Especially basic industries must be strengthened, and high-tech industries must be developed. However, under conditions of macroeconomic retrenchment, all funds, whether allocations by public finance, bank loans, or funds owned by the enterprises themselves, are all rather restricted, and demand is outstripping available supplies.

The state's industrial policy is not properly integrated with its commodity price, general finance, credit, and investment policies: 1) The investment policy is excessively biased toward certain regions, which is detrimental to macroeconomic optimization of the industrial

structure. 2) Credit and taxation policies are biased as to the ownership systems involved, which is also detrimental to any optimization of the industrial structure. 3) According to the pricing policy, upstream products [raw materials] are priced particularly low and downstream products [processed/finished goods] particularly high. 4) Having only one unified industrial policy for the whole country without regional differentiations is detrimental to the assertion of regional advantages.

The central government lacks effective methods of macroeconomic regulation and control. The proportions of financial revenue within the national income and of finances of the central government within all financial income are shrinking almost daily, while the deficit is continuously increasing, and the capacity for macroeconomic regulation and control is rapidly diminishing. The economic levers of credits and taxation are not being used flexibly and effectively enough, and cannot well exercise guiding and restraining functions in the development of the various sectors and enterprises.

Industrial restructuring lacks long-range planning. More serious is the lack of reliance on technological progress to achieve a more rational industrial structure, and, furthermore, to carry out measures of a higher level of intensity.

While maintaining a medium rate of economic growth, achievement of rationalization and of a higher level of intensity in the industrial structure must become the core of the Eighth Five-Year Plan and of the economic development in the next 10 years. The direction of future industrial readjustments must be based on technological progress and show an appropriate measure of preference for the basic industries, such as agriculture, communications, post and telecommunications, energy sources, and the production of raw and semifinished materials, and must develop them in a rational way. The method of simultaneous development should be shunned, the development of high-tech industries should be accelerated and specially emphasized. Rationalization of the internal structure of the tertiary industries and their steady growth should be promoted, to achieve a well-coordinated development of all industries of the national economy and to achieve a higher level of intensity throughout the industrial structure.

Future policy shall particularly favor the basic industries, but at the same time promote the technological transformation of all sectors of the national economy, while efforts shall be made to economize and rationalize in the use of natural resources. China's economic development is presently still clearly of a dual nature at the stage of initial industrialization. China has ample natural resources, but per capita utilization of these is extremely limited. As the level of per capita national income will rise, China's developing national economy will make continuously increasing demands on agriculture, energy sources, communications and transportation, and on the production of basic raw and semifinished materials. For quite some time to come it will be

necessary to make certain preferential investments in agriculture, energy sources, communications and transportation, and in industries producing raw and semifinished materials, in order to promote their speedy growth.

In recent years, one cannot say that the growth rate of China's energy producing and raw and semifinished materials producing industries is very slow, but the supply-demand situation has all along been strained. One reason for this is the low efficiency in energy use. In 1987, India consumed 2.1 [sic] tons of standard coal; calculated at the exchange rate of that time, each standard ton of coal produced \$1,082 of GNP, while in China it was only \$381, or one-third of the Indian figure. In China, 10 percent of all harvested grain is lost after being harvested, which is about 80 billion jin, mainly because of insufficient storage and transportation facilities and bad management. While we must increase investments in the basic industries to accelerate their development, we must at the same time exert efforts to economize in the use of energy, economize in transport facilities, and reduce losses to agricultural products in storage, transportation, and processing, and raise the rates of utilization, as otherwise it will become more and more difficult for China's basic industries to support so crude a form of economic development.

Readjusting the internal structure of the manufacturing industry, focusing particularly on the accelerated development of high-tech industries. In the process of adjusting the industrial structure, major attention must be paid to the adjustment of the internal structure of the manufacturing industry, also to constraining and cutting down on the development of technologically backward manufacturing industries producing goods unwanted in the market, and on the production of outdated types and inferior quality products, while it is necessary to continue development of industries and products for which there is strong demand among the general public and that are of good competitive quality. It is the special characteristic of the high-tech industries to have high added value and to give strong technological impetus. They are now at the center of international competition, and China must concentrate on their accelerated development, which must be pursued first of all in the fields of microelectronics, bioengineering, and new materials industries, making them the gateway for the transformation of traditional industries and for spurring on further development of the entire national economy.

Achieving a structural development in the tertiary industries. At the same time as we adjust the internal structure of the tertiary industries, which serve the livelihood of the people, we must initiate a comparatively large development in the communication and transportation industries which serve production, also in commerce and in the materials supply, marketing, and storage industries, as also in such newly rising industries as the information industry, consultation industry, and the technological

service industry. We must support their rapid development with appropriate policies, to prepare effectively for shifting emphasis in the tertiary industries toward the newly rising industries.

Experts Forecast 1991 Market Trends

91CE0376A Beijing ZHONGGUO TONGJI XIAOXI
BAO in Chinese 11 Feb 91 p 4

[Article by staff reporter Jia Dechang (6328 1795 2490):
"1991: Basic Direction of China's Market—Forecasts by
Some Experts, Scholars"]

[Text] The market is the barometer of economic development. In 1991 the basic situation in China's economic development, to a very large extent, will be decided by changes in the market. When people cross into the new year, even if they show interest in many economic issues, what they are most interested in is the market. Recently, at a symposium for analyzing and forecasting the economic situation, which was held by the Chinese Academy of Social Sciences, some experts and scholars made forecasts on market trends in 1991. Some of their views have a lot of reference value for comrades engaged in economic work. Below are summaries of the statements made by several comrades.

No Big Change in Market Supply, Demand

Zhang Zhuoyuan [1728 0587 0955], director of the Finance and Trade Institute, Chinese Academy of Sciences, predicted that in 1991 there will not be a big change in the supply and demand situation on the market. The three grounds for this forecast of his are:

First, the momentum toward people depositing to their savings is growing, but it has not caused an imbalance in the total supply and demand of society. However, if, by changing the mechanisms, adjusting the structures, and improving results, we do not solve the problem of the so-called "market slump," but rather, by just injecting a large amount of credits and funds and increasing the issuance of currency to stimulate demand, or by supporting economic growth by means of high amounts of investment, then there could be a new round of inflation and the people's savings deposits would become a "tiger" let out of its cage. This is precisely what we must guard against and avoid.

Second, 1990 was a bumper harvest year in agriculture. There was a big increase in grain output, and grain price stability is now within sight. Currently, the great majority of commodities on the market are agricultural products, or industrial products in which agricultural products are the raw materials. Therefore, grain price stability is the basis for market stability. If 1991 is a normal harvest year in agriculture, there will not be a great disturbance in the market.

Third, the amount of commodity reserves is increasing. At the end of September, the gross value of social commodity reserves was 334 billion yuan, 11.7 percent

more than at the same time in the previous year. According to the Ministry of Commerce, of 630 principal commodities, supply does not meet demand at 17.3 percent and supply exceeds demand at 12.4 percent. Compared with the estimates for the previous period, the proportion of commodities in which supply does not meet demand has dropped by two percentage points, and the proportion of commodities in which supply exceeds demand rose by two percentage points. In 1991 the policy of improvement and rectification will continue to be implemented, there will not be large growth in either investment demand or consumption demand, and the entire market environment will be relatively relaxed.

Growth Will Be Faster Than in 1990

Taking the results of quantitative and qualitative analyses as his basis, Zheng Zhixu [6774 1807 2485], of the Commercial Information Center in the Ministry of Commerce, discovered, using the net volume of social commodities as his datum, that there exists in China's market operation a law of periodic fluctuation in which alternate cycles of high and low are repeated. About every four years the fluctuation of commodity retail volume peaks. Since 1975 there have been four peaks on China's market, and these peaks crested in October 1975, September 1980, February 1985, and August 1988. If there are no abnormal changes, the next peak will probably crest in August 1992 or a little later. Since the second half of 1989, on the one hand a slump in the market and its periodic contraction have been inevitable, and, on the other hand, there has been an excessive operational dynamic in macroeconomic regulation and control. It is calculated that, after August 1988, the market began to turn down from the crest of its peak and bottomed out in February 1990, a contraction time of nearly one and one-half years. In fact, in August 1990 the gross retail volume of social commodities grew 40 percent and the market "temperature" peaked. It was difficult for the limited supply of commodities to bear the double expansion at that time of consumption demand and investment demand, and a drop in the fluctuating retail volume was inevitable. Beginning in October 1988, measures were taken to improve and rectify the situation. By August 1989—a little over 10 months later—the monthly 30 percent rate of increase in the total retail volume of social commodities fell to -0.7 percent. In 1989 the rate of increase in the total retail volume of social commodities was 19 percentage points less than in 1988. Beginning in March 1990, the total retail volume of social commodities began to rise again month by month, and in June there was positive growth. In July, August, and September, as compared to the same three months in the previous year, there were respective growths of 1.2, 1.9, and 3.6 percent. It can be concluded that in its current operations the market is climbing out of the bottom area to a normal area.

A Certain Equilibrium Will Be Maintained in the Market

Proceeding from an examination of the environment for economic operations and from an analysis of the situation in society's total supply and total demand in 1991, A Siqi [7093 1835 1142] and Hu Jian [5170 1017], of the Research Institute of the State Statistical Bureau estimated that if, on the foundation of 1990, economic growth in 1991 is maintained at a moderate rate and the supply capacity is suitably brought into play, then demand will be comparatively stable. The market could then be kept in an equilibrium of a certain scope and certain degree like that in 1990, and also like that in 1965 and 1982. In the latter two years, although there was a fairly high growth in national income (respectively 17 and 18.2 percent), supply was comparatively adequate and price rises were fairly small.

Market equilibrium primarily means that, for the most part, market supply and demand are in harmony. Its main manifestation is the basic stability of the prices of capital goods and consumer goods. In particular, the price rises in construction materials, foodstuffs, clothing, and common articles of everyday use are kept within the safe range of 3 to 4 percent. Driven by cost, the prices of durable consumer goods may rise moderately, about 10 percent. Only residential rents and market service prices, which are adjusted by the state in a planned manner, will rise about 20 percent.

Sales Will Take a Little Turn for the Better, But It Will Be Difficult for Sales To Become Brisk

Zheng Jingping [6774 0079 1627] and Wan Donghua [5502 2639 5478], of the Comprehensive Statistics Department, State Statistical Bureau, made an analysis and forecast from the angle of production and consumption patterns. They think that in 1991 there will be a certain turn for the better in market sales, but that it will be difficult for the sales to become brisk. The degree of the market recovery will mainly be determined by the elasticity of the policy of macroeconomic regulation and control. Under the existing plan, if the retail price index rises 7 percent, the total retail volume of social commodities could be 890 billion yuan, about 8 percent more than in 1990.

Zheng Jingping and Wan Donghua did not give much credence to the idea of explaining the market slump solely by the insufficiency of total immediate demand. They think that the market slump that has appeared in China in recent years is definitely not a simple phenomenon, but is the composite product of several years of economic overheating, deviation in profit guidance, low economic results, and imbalance in the economic structure. A cause at a deeper level is the serious dislocation in the current production and consumption patterns. The main manifestation of this dislocation is that the production of some consumer goods, under the pounding of the lead consumption "heat wave" of the previous several years, has been developed in a blind fashion, exceeding the actual income and consumption

levels of the people in the present stage and causing a relative surplus. For example, China has an annual production capacity of 20 million color television sets per year, but the sales volume is less than 8 million per year; has an annual production capacity of 16 million refrigerators, but the sales volume is only a little more than 6 million per year; and has an annual production capacity of a little more than 18 million washing machines, but the sales volume is only a little more than 12 million a year. The production capacity of some products far exceeds the natural resource capacity, causing a "short circuit" in the natural resource structure. Going into the matter even further, taking into account the people's income pattern and consumption level, the surplus in production capacity for some products is obviously even more prominent. In China's cities and towns, the popularization rate for high-grade durable goods is quite high, and the popularization rate for television sets and washing machines is close to the saturation level. For the next several years, the purchases of durable consumer goods will mainly be concentrated in families with less than middle income. These families do not have an ample income, and the prices of durable consumer goods are still being maintained at a fairly high level. Therefore, for these families, high-grade durable consumer goods are somewhat unattainable. The reality facing durable consumer goods markets in cities and towns is that "people who have money do not want to buy them, and people without money cannot buy them." Although China has a very large rural market, it is now influenced by many factors, such as actual income, basic facilities, auxiliary services, educational quality, and consumer habits. In the short term it will be difficult to popularize over a wide area color television sets, refrigerators, washing machines, and other high-grade durable consumer goods. This situation requires a structural adjustment and then constant improvement. Structural adjustment is a complex task of systems engineering, and it will not produce the desired result overnight. Therefore, although there could be a little pickup in the market in 1991, it will be difficult for the market to become brisk.

Trend in Supply, Demand of Main Commodities

The view of the Market Forecast Office in the Commercial Information Center of the Ministry of Commerce on the general trend in the market in 1991 is: the rate of pickup will be faster than in 1990, and in the second half of the year it will gradually return to a normal rate. The initial calculation is that the total retail volume of social commodities in 1991 will be 90 billion yuan, about 9 percent higher than in 1990 (at that year's prices).

After making a scientific analysis of production and consumption in the past, at present, and in the future, the office decided that in 1991 the contradiction in the supply and demand of edible commodities will continue to be mitigated. From the overall viewpoint, at the present stage China's consumption level is in a transition from having enough to eat and wear to being comparatively well-off. The proportion of edible commodities is

relatively stable, generally 54 percent of the retail volume of consumer goods. Since 1989 there have been successive bumper harvests in agriculture, and meat and poultry production has grown rapidly. Substantial results have been obtained from urban "vegetable basket" projects, and there are ample supplies of nonstaple foodstuffs. The situation in which balance was sought amid shortages, which has existed for many years, has been alleviated. The office estimates that in 1991 the sales of grain, edible oil, sugar, live pigs, and fresh eggs will continue to be maintained at the 1990 level, or a little higher.

There will be a slow pickup in apparel commodities. The prominent problem now in the apparel market is the contradiction between the commodity structure, the contradiction between commodity price and consumption level. Following the rise in people's standard of living and quality of education, they are more selective in apparel commodities, and this is developing selectivity toward the pursuance of apparel that is novel, comfortable, good-looking, and well-known brands. Sales of washed cotton cloth and medium- and long-fiber cloth will take second place. Compared with sales in 1990, the sales of T-shirts and sleeveless undershirts and of cotton and wool shirts and trousers will grow. Sales of sweat shirts and sweat pants will be maintained at the

1990 level or will fall slightly. Sales of towels and socks will increase. The prices of knitting wool and nylon will still tend to be on the high side, and this will have an adverse effect on their sales. The proportion of suits in apparel commodities will rise markedly.

The general view is that there will also be an increase in necessary commodities. The buying and selling of common industrial products for daily use will basically be normal. In total volume the supply of large durable consumer goods will be greater than the demand, but there will not be enough famous, special, superior, and new products. There will be a weakening of the general momentum in the sales of color television sets, refrigerators, washing machines, bicycles, and other durable consumer goods; but products of good quality, famous brands, and new styles will still sell extremely well.

Price Index of Retail Sales in Provinces in Nov 1990

HK1202122691 Beijing CEI Database in English
12 Feb 91

[Text] Beijing (CEI)—Following is a list of price index of retail sales in China's Provinces, regions and municipalities in November 1990:

(Note: price of last year's same period as 100)			
	Retail Sales		
	Provinces (regions and municipalities)	Towns	Rural Areas
National total	101.6	100.9	102.0
Beijing	105.2		
Tianjin	102.9		
Hebei	101.4	103.4	99.9
Shanxi	103.4	102.5	104.2
InnerMongolia	103.1	103.0	103.2
Liaoning	102.0	101.9	102.3
Jilin	104.9	104.6	106.1
Heilongjiang	107.6	107.4	108.3
Shanghai	108.0		
Jiangsu	102.3	103.4	101.2
Zhejiang	101.4	102.4	100.6
Anhui	101.0	101.5	100.4
Fujian	97.8	98.7	97.2
Jiangxi	99.9	99.5	100.3
Shandong	101.7	101.2	102.0
Henan	99.8	100.2	99.6
Hubei	102.2	102.8	101.9
Hunan	97.9	99.4	96.7
Guangdong	97.0	97.1	96.8
Guangxi	100.1	98.5	101.6
Hainan	101.7	98.9	107.0

(Note: price of last year's same period as 100) (Continued)			
	Retail Sales		
	Provinces (regions and municipalities)	Towns	Rural Areas
Sichuan	103.4	101.6	104.2
Guizhou	102.4	103.9	100.9
Yunnan	104.4	101.6	105.5
Tibet			
Shaanxi	101.5	101.9	100.9
Gansu	102.9	101.2	104.3
Qinghai	103.9	103.1	105.9
Ningxia	105.0	105.2	104.9
Xinjiang	104.0	103.9	104.3

Provincial Price Index of Living Costs Nov 1990

HK1202122091 Beijing CEI Database in English
12 Feb 91

[Text] Beijing (CEI)—Following is a list of price index of living costs in China's provinces, regions and municipalities in November 1990:

(Note: price of last year's same period as 100)			
	Living Costs		
	Provinces (regions and municipalities)	Towns	Rural Areas
National total	103.7	101.8	105.1
Beijing	108.1		
Tianjin	103.5		
Hebei	102.6	104.5	100.6
Shanxi	104.0	103.8	104.3
Inner Mongolia	102.6	103.1	101.4
Liaoning	103.3	103.5	102.2
Jilin	106.8	105.8	110.4
Heilongjiang	108.8	108.2	111.2
Shanghai	108.9		
Jiangsu	103.3	104.0	102.4
Zhejiang	102.4	103.0	101.8
Anhui	101.5	102.1	100.6
Fujian	98.4	99.4	97.5
Jiangxi	100.7	100.2	101.2
Shandong	102.9	101.8	103.9
Henan	100.9	100.9	100.8
Hubei	104.3	104.0	104.6
Hunan	99.3	100.4	98.2
Guangdong	98.1	98.3	97.6
Guangxi	101.5	99.0	104.6
Hainan	101.9	99.8	106.7
Sichuan	103.7	102.4	104.4
Guizhou	103.1	104.0	102.0
Yunnan	104.5	102.7	105.4
Tibet			

(Note: price of last year's same period as 100) (Continued)

	Living Costs		
Shaanxi	103.0	103.5	101.9
Gansu	103.3	102.6	104.2
Qinghai	104.6	104.1	106.6
Ningxia	108.8	108.4	109.2
Xinjiang	105.6	105.4	105.8

Price Index in 29 Cities in Nov 1990

HK1202122291 Beijing CEI Database in English
12 Feb 91

[Text] Beijing (CEI)—Following is a list of price index and index of living costs in 29 big and medium-sized cities in Nov. 1990, released by the China State Statistical Bureau:

(Note: price of the same period of last year as 100)

	Social	Living	Service
	Retail Price	Costs	Price
Beijing	105.2	108.1	137.2
Tianjin	102.9	103.5	112.0
Shijiazhuang	106.5	107.7	121.5
Taiyuan	103.0	105.2	123.5
Hohhot	104.6	104.6	104.6
Shenyang	102.0	103.4	116.9
Changchun	99.7	102.2	130.8
Harbin	107.7	110.1	130.4
Shanghai	108.0	108.9	118.7
Nanjing	104.6	104.8	107.3
Hangzhou	106.4	107.0	113.9
Hefei	102.4	103.1	109.6
Fuzhou	105.4	105.9	110.3
Nanchang	102.6	103.3	109.2
Jinan	101.9	102.3	108.2
Zhengzhou	100.8	101.6	109.9
Wuhan	102.6	103.5	113.0
Changsha	103.3	104.1	110.9
Guangzhou	99.2	100.2	109.1
Nanning	99.7	99.9	101.4
Chongqing	102.1	103.6	116.3
Chengdu	103.3	104.1	111.6
Guiyang	104.9	104.3	103.9
Kunming	103.8	104.7	112.8
Xian	103.7	105.7	125.0
Lanzhou	100.5	102.8	123.7
Xining	104.2	105.1	112.5
Yinchuan	108.2	111.7	151.7
Urumqi	104.3	105.6	118.2

Large Enterprise Groups Plan To Meet Production Needs

OW0303092091 Beijing XINHUA in English
0838 GMT 3 Mar 91

[Text] Beijing, March 3 (XINHUA)—China will build 100 large enterprise groups in the next few years to meet the needs for socialist planned commodity economy and socialized production, a ranking Chinese official said here today.

Zhang Yannimg, vice minister of the State Commission for Restructuring the Economy, said at a meeting that experiments on the establishment of enterprise groups will be carried out step by step.

He said that the first groups will be organized by selected industrial and transport enterprises, taking into consideration their status and role in these industrial and transport sectors. They should be among the best of the enterprises in terms of production value, output, tax, profit and exports. "The establishment of these enterprise groups and their successful management will be very important to the national economy," Zhang added.

The setting up of industrial groups is aimed at promoting the readjustment and optimization of the structure of enterprises, raising the level of their technical specialization, increasing their economic results and enhancing their competitiveness in international market.

The past few years have witnessed rapid development of enterprise groups, covering from machinery, electronics and light industrial sectors to iron and steel, energy, building material, chemical and textile industries.

Some industrial groups have been playing an important role in boosting the national economy. But generally speaking, such enterprise groups are still at an initial stage, and most of them remain to be improved in terms of structure and function.

The vice minister said that China will stress the development of trans-regional and trans-departmental industrial enterprise groups in future.

PROVINCIAL

Jiangxi 1990 Statistical Report

91CE0411A Nanchang JIANGXI RIBAO in Chinese
4 Mar 91 p 2

[Article: "Jiangxi Province Statistical Bureau: Statistical Communique on National Economic and Social Development in 1990 (4 March 1991)"]

[Text] Acting under leadership of the Jiangxi CPC Central Committee and the provincial people's government, the people of Jiangxi continued to carry out the plans of the CPC Central Committee and the State Council for

improving the economic environment and rectifying the economic order, and for deepening reform in 1990, achieving marked results. An all-around bumper crop was harvested in agriculture; industrial production maintained definite growth; main proportional relationships in the national economy were readjusted; prices were effectively controlled; and the entire national economy continued to develop in a good direction for the promotion of political, economic, and social stability. New achievements were scored in science and technology, culture and education, health care, and physical education. Preliminary statistics show a GNP for the year of 42.56 billion yuan, up 5.3 percent from 1989. [See Notes] National income was 36.14 billion yuan, up 4.5 percent; the gross output value of industry and agriculture was 67.72 billion yuan, up 6.6 percent; and provincial treasury revenue was 4.06 billion yuan, up 8.4 percent. The main problems in economic development were the market slump, the accumulation of finished products in inventory, and a decline in economic returns. Some pervasive problems adversely affecting economic development have yet to be solved effectively.

1. Agriculture

During 1990 all areas continued to strengthen leadership of agriculture in accordance with the provincial CPC committee and provincial government economic development strategy of building Jiangxi's economic edifice on a foundation of modern agriculture. They continued to increase investment in agriculture, actively organized the implementation of "spark plans" and "bumper harvest plans," put in place measures for "making agriculture prosper through science and technology," and did a solid job of moving ahead with total war in the development of agriculture. These measures, plus fairly good weather conditions, produced another all-around bumper harvest in agriculture. The gross output value of agriculture for the year was 25.52 billion yuan, up 6.5 percent from 1989. This included a 7.1 percent rise in output value from diversification, which increased as a percentage of the gross output value of agriculture from 60 percent in 1989 to 60.3 percent in 1990.

The farming industry harvested a bumper crop. Farming industry output value was 13.65 billion yuan, up 7.6 percent from 1989. Gross output of grain was 16,582,000 million kilograms, up 4.3 percent from 1989 for an all-time high. The pace of development of cash crop output accelerated, the area sown reached 13 million mu, a 26.9 percent increase over 1989. Besides ramie, cash crop output increased tremendously. In particular, the rapeseed harvest was exceptional, realizing the goal of changing vegetable oil imports to self-sufficiency with some surplus a year ahead of schedule. The "silkworm mulberry" project produced initial results, silkworm cocoon output once again increasing tremendously after the output of 1989. Development of cash crop production alleviated the province's severe shortage of farm product raw materials, and improved supplies for the people's livelihood.

Output of principal farm products were as follows:

Outputs of Major Farm Products		
	1990	Increase From 1989 %
Grain	16,582 billion kg	4.3
Cotton	57,000 tons	13.9
Oil Crops	549,800 tons	45.8
Peanuts	151,900 tons	0.8
Rapeseed	371,400 tons	86.9
Sugarcane	1,942,900 tons	30.0
Jute, Ambari Hemp (Ripe Hemp Bark)	18,846 tons	40.4
Ramie	6,039 tons	-42.0
Flue-cured Tobacco	17,175 tons	87.6
Sun-cured Tobacco	5,942 tons	-3.7
Silkworm Cocoons	2,639 tons	95.9
Tea	19,415 tons	1.5
Fruit	233 tons	1.4
Citrus Fruit	176,300 tons	1.5

New advances were made in forestry production and greening of the environment. Forestry output value was 1.6 billion yuan, 5.6 percent more than 1989. The provincewide project afforested area was 1,712,000 mu, a 38.2 percent expansion over 1989. Quality of afforestation improved, and forest management was better. Tea oil output was 136,000 tons, down 2.07 percent.

Animal husbandry production showed steady development. Output value of the livestock industry was 6.73 billion yuan, a 6.7 percent rise over 1989. Output of principal livestock products such as meat, poultry, eggs, and dairy products continued to increase.

Outputs of major livestock products and numbers of livestock are given below.

Outputs of Major Livestock Products and Numbers of Livestock

	1990	Increase Over 1989 %
Pork, Beef, and Mutton	1,025,000 tons	7.0
Milk	22,000 tons	2.3
Fresh Eggs	168,000 Tons	7.3
Number of Porks Removed From Inventory	13,132,000 head	6.1
Year-End Number of Hogs in Inventory	15,473,000	4.1
Year-End Number of Sheep and Goats	14,100,000	4.4
Final Number of Draft Animals in Inventory	3,237,000	4.5

2. Industry

Industrial production maintained a definite speed of growth despite difficulties such as the market slump. Industry produced a gross output value of 42.203 billion yuan, a 6.6 percent increase over 1989, and achieved the annual plan goals. Industrial output value, excluding industry at the village level and below, was 35.495 billion yuan, up 3.6 percent. Included in the gross output value of industry was an output value of 27.428 billion yuan for industries under ownership of the whole people, up 1.7 percent; an output value of 11.578 billion yuan from collectively owned industries, up 10.8 percent; an output value of 3.196 billion yuan from industries under other forms of ownership, up 27.6 percent; and an output value of 10.1 billion yuan from township and town industries, up 17.76 percent.

The industrial product mix improved. As part of the gross output value of industry (exclusive of industries at the village level and below), light industry accounted for an output value of 15.742 billion yuan, up 5.8 percent from 1989; heavy industry produced an output value of 19.753 billion yuan, up 1.6 percent; and the output value of light industry as a percentage of industry as a whole increased from 43.3 to 44.3 percent. Production of energy and principal raw and processed materials was quite good, easing the conflict between supply and demand. Production of a number of key products and readily marketable products maintained a definite speed of increase; however, because of the effect of market changes, production declined for some medium and high quality durable consumer goods, and electromechanical products of an investment nature. Readjustment of the industrial structure was slow, and conflicts were prominent.

Output of principal industrial products was as follows:

Output of Principal Industrial Products		
	1990	Increase Over 1989 %
Cotton Yarn	79,786 tons	-8.4
Cotton Cloth	303,140 meters	-5.3
Down Clothing	1,795,900 suits	-24.1
Machine-Made Paper and Paper-board	247,200 tons	-3.3
Machine-Refined Sugar	105,900 tons	5.0
Alcoholic Beverages	470,200 cases	9.1
Cigarettes	470,200	9.1
Bicycles	277,400	-52.4
Wristwatches	436,000	14.1
All Television Sets	436,000	14.1
Color Television Sets	110,800	21.6

Output of Principal Industrial Products (Continued)

	1990	Increase Over 1989 %
Household Refrigerators	122,700	10.1
Tape Recorders	307,100	-13.3
Cameras	90,000	-69.6
Electric Fans	504,000	0.1
Raw Coal	21,105,000 tons	2.3
Processed Crude Oil	1,551,000 tons	2.8
Electric Power	12.141 billion kwh	1.4
Steel	1,116,400 tons	5.5
Finished Steel Products	939,100 tons	0.5
Pig Iron	890,200 tons	13.3
Ten Kinds of Non-ferrous Metals	89,800 tons	3.7
Industrial Timber	1,177,500 cubic meters	24.0
Cement	4,605,900 tons	-8.8
Sulfuric Acid	426,900 tons	-8.8
Caustic Soda	58,780 tons	9.7
Agricultural Fertilizer	317,500 tons	4.2
Alternating Current Motors	87,000 kw	-11.7
Industrial Boilers	732 evaporation tons	-12.9
Machine Tools	4,664	-34.0
Motor Vehicles	9,711	-1.1
Small Tractors	18,864	10.9

Enterprises' economic returns continued to slide due to price increases for some raw and processed materials, and energy, poor market sales, and poor administration and management of some enterprises. Profits and taxes of industrial enterprises covered by the budget totaled 1.112 billion yuan in 1990, down 38.2 percent; losses increased 2.42 fold; the oversupply of finished goods became serious, the cycling of fixed amounts of working capital slowed to 35 days; and costs of comparable products rose 3.7 percent. Profit and taxes per 100 yuan of equity fell from 16.98 to 8.89 yuan. Profit and taxes per 100 yuan of sales fell from 13.64 to 8.55 yuan.

3. Investment in Fixed Assets, and the Construction Industry

City and country investment in fixed assets during 1990 came to 7.247 million yuan, down 1.1 percent from 1989. This included an investment of 4.65 billion yuan in units under ownership of the whole people, up 16.8 percent from 1989, including a 3.3 billion yuan investment in local projects, up 31.5 percent; and a 2.597 billion yuan investment in city and countryside units under collective ownership, down 22.4 percent. Capital construction projects, and renovation and technological

transformation projects for units under ownership of the whole people in Jiangxi numbered 3,424, 12.8 percent fewer than 1989. This included 1,383 newly started projects in a 1.2 fold increase over 1989.

Construction of basic industrial facilities, including those for energy, transportation, and raw and processed materials, increased further. The make-up of investment shows an investment of 794 million yuan in the energy industry sector for units under ownership of the whole people, up 5.7 percent from 1989; an investment of 1.134 billion yuan in the raw and processed materials industrial sector, up 20 percent; a 400 million yuan investment in transportation, posts, and telecommunications, up 17.8 percent; and a 167 million yuan investment in the farming, forestry, water conservancy, and meteorology sectors. Investment in capital construction of units under ownership of the whole people was divided up on the basis of the intended uses of the construction, 1.936 billion yuan going to construction of a productive nature, the percentage for this purpose increasing from 72.1 percent in 1989 to 75.3 percent in 1990.

Construction of key projects moved along quickly, some projects being completed and going into production. During the year a total of 1,476 capital construction projects and renovation and technical transformation projects for units under ownership of the whole people were completed and went into production. This included 16 large and medium size projects, as well as single projects and above-norm renovation projects. The No. 1 generating unit of the Wan'an Hydropower Plant successfully completed trial runs, and began generating power for the grid. The Dasha Railroad formally began operation; the Dexing Copper Mine's Sanqiqian 30,000 ton mining and dressing project, and the Pingxiang Mining Bureau's 450,000 ton per year Baiyuan mine shaft were completed and went into trial production. Both the Guixi Chemical Fertilizer Plant, and the Fuzhou Paper Mill were substantially completed. Newly added major production capacity from investment in fixed assets all year included 112,800 kilowatts of installed power generation capacity, 15,000 tons of copper mined and dressed each day, 750,000 tons of coal per year mined, 280,000 tons per year of coking coal, 500 motor vehicles per year, 140,000 tons of chemical fertilizer, 2,500 tons of caustic soda, 20,000 tons of sulfuric acid, 6,800 tons of machine-made paper, and 118,300 cases of cigarettes.

Building and construction enterprises under ownership of the whole people produced an output value for the year totaling 1.405 billion yuan, a 13.1 percent increase over 1989. The labor productivity rate was 11,886 yuan, up 11.6 percent. Some building and construction enterprises had insufficient work to do, so their returns declined.

New advances were made in geological prospecting. Thirteen major mining sites were discovered or newly developed in 1990, 311,700 meters of test borings completed.

4. Transportation, Posts, and Telecommunications

The transportation sector had a freight turnover volume of 24.123 billion ton kilometers during 1990, up 0.1 percent over 1989. This included a 3.2 percent increase for railroads and a 13.3 percent increase for highways. Water transportation volume declined 14.6 percent. Passenger transportation turnover volume was 14.074 billion passenger kilometers, down 6.6 percent from 1989. This included a 13 percent decline in railroad passenger volume, a 3.9 percent rise in highway passenger volume, a 17.3 percent decline in water transportation volume, and a 10.32 percent rise in civilian aviation transportation volume.

The province's posts and telecommunications did 149 million yuan worth of business, up 17.9 percent from 1989. At the end of 1990, the province had 101,100 customers, 14,800 more than at the end of 1989. The posts and telecommunications business showed earnings of 201 million yuan, up 27 percent from 1989. Communications capacity rose markedly.

5. Domestic Markets and Materials Supply and Marketing

Markets gradually revived in 1990 to develop in a steady and lively direction. Commercial commodity net purchases by society throughout the province totaled 13.75 billion yuan, up 3.8 percent from 1989. This included a 2.5 percent increase in purchases of industrial goods, and a 13.2 percent increase in purchases of agricultural by-products. Retail sales of social commodities totaled 18.17 billion yuan, up 0.1 percent from 1989. After deducting price rise factors, there was a 1.2 percent decline. Retail sales of consumer goods accounted for 15.19 billion yuan of total social retail commodity retail sales, down 0.5 percent. This included a 0.6 percent decline in sales to residents and a 0.2 percent increase in sales to social groups. Retail sales of the means of agricultural production amounted to 2.98 billion yuan, up 3.2 percent.

The sales situation for various economic categories and various commodities was as follows: Retail sales of 6.52 billion yuan by units under ownership of the whole people, up 1.1 percent; retail sales of 3.48 billion yuan by supply and marketing cooperatives, down 2.6 percent; retail sales of 2.13 billion yuan by other units under collective ownership, down 5.4 percent; retail sales of 10 million yuan for the jointly operated economy, up 2.4 percent; retail sales of 3.31 billion yuan by the individual economy, up 2.6 percent; and retail sales of 2.72 billion yuan by peasants to nonagricultural residents, up 2.5 percent. Retail sales of food increased 1.2 percent over 1989; retail sales of clothing increased 5.4 percent; and retail sales of items used in daily life decreased 2.3 percent.

The degree of price increases receded tremendously. Governments at all levels throughout Jiangxi took various effective measures to control prices, the degree of price increases for the year were much lower than the stipulated control goals. The overall retail price level for society as a whole rose 1.3 percent over 1989, a 17.3 percentage point decline in the rate of price increase in 1989. Prices rose 0.3 percent in cities and towns, and 2.2 percent in rural villages. In terms of commodities, retail prices of most food remained stable showing some decline. A greater increase in retail prices of industrial consumer goods such as clothing and items used in daily life was the main factor influencing rise in the overall market retail price level. By comparison with 1989, food declined 0.7 percent. This included a 1.1 percent decline in grain, a 0.2 percent decline in meat, poultry, and eggs, a 6.5 percent decline in fresh vegetables, and a 0.5 percent decline in aquatic products. Clothing prices rose 8.3 percent; prices of items used in daily life rose 1.6 percent, pharmaceuticals and items used for medical treatment rose 3.9 percent; fuel rose 3.6 percent, and agricultural means of production rose 4.8 percent.

Prices of items used in daily life of city and town residents increased 2.1 percent over 1989, 16.4 percentage points lower than the 1989 increase rate. The overall procurement price level of farm and sideline products was 1.4 percent lower than in 1989.

Demand for the means of production weakened. The province's materials system sold 3.18 billion yuan worth of various means of production, 1.6 percent less than 1989. This included 755,000 tons of steel, about the same amount as 1989; 144,000 tons of pig iron, a 39.3 percent increase; and 334,000 tons of cement, a 24.9 percent decrease.

6. Foreign Trade, Lateral Cooperation, and Tourism

Foreign trade continued to increase in 1990. All jurisdictions in Jiangxi took various measures to ensure sources of supply of exports, and to optimize the mix of export products, maintaining an increase in export trade. Imports and exports totaled \$631,180,000 including exports worth \$561,470,000, up 8.9 percent from 1989; and imports worth 69,710,000, up 2.5 percent from 1989.

New advances were made in the use of foreign capital and imported technology. A total of 101 contracts for the use of foreign capital were signed during the year involving foreign capital totaling \$122.92 million. Actual foreign capital used during the year was \$51.41 million, up 33 percent from 1989. Fifty-eight wholly or partially foreign-owned enterprises were built and opened for business.

Lateral economic ties continued to develop. The province signed a total of 4,548 inter-province and intra-province economic and technical cooperation projects, 2,627 of which were inter-province, and 1,921 of which were intra-province. Actual capital brought in was 378.8

million yuan, 276.69 million yuan of which was inter-province capital. Materials entering and leaving Jiangxi combined totaled 7,268,420,000 yuan in value.

During the year there was a total of 35,001 tourists, sightseers, visitors, and foreigners, overseas Chinese, and compatriots from Hong Kong, Macao, and Taiwan engaged in various exchange activities, 34.7 percent more than in 1989. Foreign exchange earnings from tourism for the year totaled 20,256,000 yuan (in foreign currency) in a 1.4 fold increase over 1989.

7. Science and Technology, Education, and Culture

Scientific and technical endeavors saw new development. In 1990, 108 scientific and technical achievements won provincial awards for scientific and technical progress. This included one first class award, 16 second class awards, and 91 third class awards. Twelve outstanding scientific and technical achievements received national science and technology awards. This included three national invention awards, and nine national awards for scientific and technical progress. Enterprise technological development progressed. Large and medium size enterprise technology development organizations numbered 187, an increase from 48.5 percent in 1989 to 63 percent in 1990 of the percentage of the total number of large and medium size industrial enterprises. Patent management improved; 601 patent requests were accepted during the year, up 45.2 percent from 1989. Of these, 282 were approved in a 36.2 percent increase. The development for use of a number of applied technology inventions and techniques brought outstanding economic and social benefits. Technology markets became livelier. Currently, 330 of the province's technology trade organizations have undergone rectification. During the year, 3,223 contracts having a value of 67.21 million yuan were signed calling for various kinds of technical cooperation. Forty-two spark plan projects were completed, training 1,653,700 rural technical personnel for marked benefit in invigorating the rural economy. Meteorology units strove to improve the accuracy and timeliness of weather reports as a means of increasing the socio-economic benefits from meteorological services. A number of achievements were made during the year in social science research, some of which have been adopted by departments concerned. They have produced fine social and economic benefits.

The science and technology corps expanded, and a public science and technology campaign unfolded. In units under ownership of the whole people, 639,700 people engaged in special technical work. This included 276,900 natural sciences technical personnel, up 12,000 from 1989; and 362,800 social sciences personnel, up 17,300 from 1989. Independent research and development organizations under ownership of the whole people at the county level and above in the province numbered 115, with 18,400 staff members and workers.

The scale of enrollments in ordinary institutions of higher education was kept under control. Graduate students enrolled in Jiangxi numbered 137; 215 graduate students graduated; and 479 graduate students were in school. Students enrolled in ordinary institutions of higher education numbered 17,103, up 171 from 1989. Secondary school enrollments numbered 56,608, up 3,206 from 1989. Graduates numbered 13,616, down 1,767 from 1989.

Secondary vocational and technical education saw further development. Students in all kinds of secondary vocational and technical schools numbered 187,600 (including 34,200 technical school students). This was 71.5 percent of the 262,300 students who are senior middle school students in ordinary secondary schools.

Junior middle school students in ordinary middle schools numbered 1,545,500, up 3.7 percent from 1989. Primary school students numbered 4,502,300, down 5.3 percent. The school attendance rate for children of school age was 98.2 percent, and 362,600 children were in kindergarten.

Adult education continued to develop with 25,100 adults in institutions of higher education. Adults in secondary technical schools numbered 28,200. In 1990, 79,200 of the 275,700 adults who took the senior middle school self study examinations received qualifying certificates for individual college courses, and 3,764 received graduation certificates from institutions of higher education.

Cultural endeavors maintained their development momentum. In 1990, there were 4,401 movie projection units of all kinds, 86 artistic performance troupes, 101 cultural palaces, 104 public libraries, and 82 museums. Jiangxi had seven radio broadcasting stations and 16 broadcast transmission and relay stations covering 62.3 percent of the people in the province. It had 14 television stations and 1,089 television transmission and relay stations covering 82 percent of the people in the province. During the year, 1,185 books, magazines, and newspapers of various kinds were published. A total of 197.95 million copies of books and magazines were distributed, and 362.59 million newspapers were distributed.

8. Health Care and Physical Education

Health care saw continued development with further improvement in medical treatment conditions. At the end of 1990, Jiangxi had 5,632 medical treatment and health care organizations of various kinds. This included 2,305 hospital, 22 convalescent homes, 2,663 outpatient departments (or offices), 120 health immunization stations, and 113 health care centers for women and children. The province had 116,800 health care technicians of various kinds, 2,400 more than in 1989. This included 52,000 medical doctors and practitioners with a secondary school education, up 3.0 percent, and 30,900 medical technicians and nurses, up 5.8 percent. Hospital beds numbered 82,600 for a 5,000 bed increase.

New achievements were scored in physical education. In 1990, the province's athletes took 28 gold medals, 33 silver medals, and 29 bronze medals in major competitions in China. This included seven gold medals and five silver medals in the Asian Games. Public physical education activities developed further. In 1990, Jiangxi held 2,757 athletic meets at the county level or above in which 662,600 people participated.

9. People's Livelihood

Income increased in both cities and the countryside. Sampling survey data from cities and towns showed an income to be used for living expenses averaging 1,094.24 yuan per capita, up 9.8 percent from 1989. After adjusting for price increases, the actual increase was 8.1 percent. Sampling survey data from rural villages showed a peasant family net per capita income of 579.61 yuan, up 20.97 yuan from 1989 in a 3.8 percent increase. After deducting for price increases, the actual increase was 1.0 percent. More advances were made in providing for the needy with 97 percent of particularly needy households solving their problem of sufficient food and clothing, and some beginning to shake off poverty and beginning to become prosperous.

City and town employment increased. Jobs were found for 161,100 city and town people awaiting employment. At the end of the year, Jiangxi had 3,840,800 staff members and workers, 39,700 more than at the end of 1989. The annual wage bill for staff members and workers was 6.378 billion yuan, up 9.3 percent from 1989. The annual staff member and worker per capita money wage was 1,689 yuan, up 8.1 percent from 1989. In units under ownership of the whole people, the number of staff members and workers in the labor contract system reached 332,300 for a 16,900 increase over 1989. There were 237,200 individual workers in cities and towns in a 4,400 increase.

Residents' savings increased tremendously. At the end of 1990, city and countryside residents had 14.324 billion yuan in savings accounts, up 3.674 billion from the end of 1989 in a 34.5 percent increase.

Living conditions continued to improve. Units under ownership of the whole people and city and town collective units completed work on 2,596,200 square meters of dwellings, and 15,657,000 square meters of new housing was built in rural villages.

Social welfare services and social insurance developed. There were 2,009 social welfare providing units in Jiangxi looking after 32,000 people. Overall planning of retiring payments to staff members and workers in enterprises and public agencies under ownership of the whole people was instituted, and social old-age insurance for workers in collective enterprises, privately-run enterprises, and individual workers, as well as for temporary workers was expanded and continued to develop. By year end, 359,000 retired staff members and workers in state-owned enterprises, public agencies, and collective enterprises at the county level and above participated in

social old-age insurance, up 3.4 percent from 1989 and representing 93.3 percent of those eligible for participation. Social old-age insurance was instituted for 412,000 staff members and workers covered by labor contracts, up 2.7 percent from 1989. Insurance coverage for all sorts of provincial assets inside and outside the country totaled 51.1 billion yuan, up 19.2 percent from 1989. At the end of 1990, 3,367,000 families held family property insurance, and the number of people who held personal insurance of various kinds totaled 15 million. Domestic and foreign property insurance claims totaled 85,165, 133 million paid in claims. This played a role in the timely revival of production, resumption of operations, and arranging for the life of enterprises, families, and individuals.

10. Demographics

A sample survey to determine changes in the province's population showed a total population at the end of 1990 of 38,106,400, an increase of 644,200 over the end of 1989. The birthrate for the year was 24.59 per 1,000; the death rate was 7.54 per 1,000; and the rate of natural increase was 17.05 per 1,000.

Notes:(1) The GNP, national income, and gross output value of industry and agriculture given in this communique are in terms of current year prices, and speed of increase is in terms of comparable prices.

(2) Some of the data provided in this communique are preliminary statistical figures. Food output was derived from sampling surveys, and speed of increase was figured in terms of comparable items.

(3) Population index ratio base figures, i.e., 1989 year-end population was readjusted on the basis of the fourth population census figures.

(4) Peasant 1990 per capita net income was 579.61. Prices of products produced for personal used were figured in terms of the established national list price, and is consistent with data over the years. If figured instead in terms of the State Statistical Bureau set fixed contract procurement overall average price, peasant per capita net income is 669.90 yuan.

FINANCE, BANKING

Tax Policies Regarding Industrial Structure in Hunan

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[Article by Wang Jianping (3769 1696 1627) and Zhu Zhaoxi (2612 3564 0823): "Cursory Remarks on Tax Measures as Means of Optimizing the Industrial Structure"]

[Text] Imbalance of the industrial structure is a problem that China has for many years tried to solve, but that has never been thoroughly solved. Although Hunan Province

has adopted some effective measures in recent years that somewhat improved its industrial structure, irrational conditions still remain very conspicuous in its industrial structure throughout the entire province; they manifest themselves mainly in the following two respects:

First, in that the development of its basic industries, energy sources and production of raw and semifinished materials, lags far behind the development of its manufacturing industries, and in that these basic industries are indeed "bottleneck" industries that restrict the economic development of Hunan Province. Although Hunan has in the last few years invested in the construction of large numbers of bases for additional production of energy and of raw and semifinished materials, excessive indebtedness has caused development of energy sources, production of raw and semifinished materials, as well as of other basic industries to still remain by far insufficient to satisfy the needs of the developments in the manufacturing industries, and this fact has adversely affected the returns that could otherwise have been earned from production. For instance, insufficient supply of electricity alone has caused a decline in Hunan's annual industrial output value by over 3 billion yuan.

Second, in the indiscriminate development of many small manufacturing enterprises, such as small textile mills, small cigarette factories, small distilleries, small steel rolling mills, etc. Generally, these types of enterprises are technically poorly equipped, poorly managed, operate at excessive consumption rates and with low efficiency, and some even compete with large-scale industry for raw and semifinished materials, energy sources, and thereby aggravate the strained situation in the supply of raw and semifinished materials and energy, while also causing much surplus capacity in their lines of production. For example, in Hunan's textile industry, the many cotton mills that have sprung up in recent years throughout the province have boosted Hunan's cotton spinning capacity to 1.4 million spindles, requiring 135,000 tons of raw cotton, but in 1989 Hunan produced only 67,000 tons of cotton, which is half of the needed quantity. Imbalances in the industrial structure are the major causes for so steep a decline in the economy of Hunan.

We need not conceal the fact that there are many factors responsible for the imbalance in the industrial structure. Apart from the fact that in our economic planning and directing we did not proceed according to objective economic rules, and that our thoughts were dominated by localism and eagerness for quick profits, there is also the other important reason, namely that ineffectual use was made of the state's various economic levers, such as the financial, taxation, credit, and pricing levers, especially also of the taxation lever. This, to a certain extent, brought about the irrational state of the industrial structure, which mainly manifests itself in:

1) The current system of turnover tax, which is incapable of serving as means of comprehensively regulating and

controlling the industrial structure. At present, in the industrial sector, value-added tax is collected from most enterprises, and the former collection of product tax, according to total amount of products sold, has been eliminated, also the then existing evil of duplicative taxation. However, product tax is still being collected from petrochemical and other important producers of raw and semifinished materials, also from the electric power industry, and the contradiction of duplicative taxation still exists. Moreover, product tax for electric power is collected at as high a rate as 25 percent. The tax rate for petrochemical products is also above 10 percent, i.e. higher than the 5 percent tax imposed on ordinary products. These taxes, to a certain extent, have retarded the development of the said basic industries. Furthermore, after instituting the value-added tax, no strong and effective consumption tax system with graded tax rates has been set up so far, as a supplement to the value-added tax, to regulate industries and products which the state must restrict in some ways.

2) Tax rates are not designed in a way to fully reflect the principles of industrial policies. The rates in the current product tax and value-added tax are designed to stress particularly the need to balance the tax burden of the enterprises and to regulate the levels of their profits, without taking the industrial policy factor into consideration, and without differentiating in the layout of the tax rates between those enterprises that are to be preferentially promoted and those that are to be restricted.

3) Tax reduction and exemption policies are not guided by industrial policies. In 1989, tax reductions and exemptions in Hunan Province amounted to 427 million yuan, i.e. to 6.84 percent of all industrial and commercial tax revenue of that year, and 60 percent of these were tax reductions and exemptions granted out of consideration for economic difficulties. Tax reductions and exemption were also frequently granted to products that are being overproduced and to products under high tax rates, a tendency which actually runs counter to industrial policy. This not only caused large losses to public finance, but, more importantly, protected backwardness and distorted the mechanism of competition, thereby aggravating the contradiction of imbalance in the industrial structure.

4) There is insufficient inducement or deterrence to properly direct investment funds. Presently, the inducement to invest in certain directions, or the deterrence not to invest in certain directions, is mainly exercised through the construction tax, but the higher or lower rates in the construction tax and the distinctions whether to tax or to exempt are determined by whether the investment is within or outside of the budget, or whether it is within or outside of the plan. Investments that are within the budget or within the plan not necessarily conform to the objectives of the industrial policy. Some local governments will more often than not invest their funds in manufacturing industries that require little investment, yield quick results, and produce much tax

revenue. It is obvious, therefore, that the role of the construction tax in guiding the direction of investments is ineffectual.

Taxation as an important economic lever is, similar to other forms of distribution, affecting production not at all only in a negative, passive way. It has an active influence on the development of production; especially its role in regulating the structure of consumption and supply, and of the condition of circulation, is very obvious. The total volume of tax revenue has a direct effect on the expansion of social reproduction; in the income structures of the various economic forms, taxation affects the social economic structure, and in the income structures among the various lines of industry and various products, taxation affects the industrial structure and product mix of society. The tax lever, therefore, plays a very active role in guiding and promoting industrial structure to take a rational direction. In concrete terms, taxation is capable, through scientific determination of tax categories and through higher or lower tax rates, complemented by tax reductions and exemptions, to regulate the income structure of all branches of industry and for all products, as well as the investment structure, also to create necessary profit incentive, support industries that should be supported, restrict industries that should be controlled and reduced, and, as a consequence, to effect a shift in and redistribution of the key elements of production, to realign them, and to finally arrive at an optimization of the industrial structure. The present economic condition with its market weakness and stockpiling of products presents Hunan Province with an excellent opportunity to adjust its industrial structure; the tax lever must be closely coordinated with all industrial policies of the central authorities and of Hunan Province, also with the objectives of the policy of improving the economic environment and rectifying the economic order. The following are three directions in which an efficacious and responsive adjustment of this nature will have to be carried out:

—Reforming the turnover tax system, redefining tax rates. In the overview of the tax system, the regulatory effect of the turnover tax on production and consumption is very obvious. Turnover tax is the general name for all taxes that base assessments on the amount of turnover; it mainly comprises value-added tax and business tax. It may use different tax categories and tax rates, it can directly affect costs and profits of enterprises, and by macroeconomic means can guide the business orientation of enterprises. In the next few years, we should, therefore, collect value-added tax throughout the entire field of industrial production, so as to completely eliminate the contradiction of duplicative taxation. On this basis, pursuant to the policy of equal tax burdens and in integration with all industrial policies, tax rates for all products should be redefined. For basic raw material producing industries, such as mining, metallurgy, coal, and petrochemical industries, and for industries that serve the development of

agriculture, energy sources, and the production of raw and semi-finished materials, comparatively lower tax rates shall apply to afford them preferential treatment. For products that are being overproduced and for special consumer goods that need to be restricted, comparatively higher tax rates shall apply. Among the latter, some special articles should, in addition, be subject to consumption tax, thus establishing a regulatory and controlling system of a turnover tax that uses both value-added tax as well as consumption tax, to restrict indiscriminate development of products that are being overproduced.

—Strict control of tax reductions and exemptions. Favorable policies of tax reductions and exemptions are some of the measures to achieve a rational adjustment of the industrial structure. Industries that deserve to be promoted preferentially should enjoy the privilege of tax reductions or exemptions, to give them an effective competitive advantage. However, tax reductions and exemptions must be kept within reasonable quantitative limits, and under no circumstances must they run counter to the principles of the industrial policy. Under the present conditions, tax reductions and exemptions should be mainly used to encourage the development of new technologies and products, and also in the interest of earning foreign exchange from exports, furthermore also to support industries which deserve to be particularly promoted in Hunan Province and which are now in economic difficulties. Very strict control must be exercised in the granting of tax reductions and exemptions out of considerations for economic difficulties; industries or products that do not conform with industrial policy must all be disqualified from receiving tax reductions or exemptions.

—Construction tax to be changed into an investment direction regulating tax, to lead to rational adjustments in the investment structure. One very effective measure to improve the industrial structure is to adjust the increment of investment fund distributions. Taxation should become the regulatory tool for the rational disposition of increased resources. It is necessary to formulate an investment direction regulating tax, targeted at the amounts of fixed asset investments, according to the order of industrial development, differentiating distinctly between what is important and what is not, and what is urgent and what is not. This tax should replace the construction tax, and it may have graded, progressively advancing tax rates. Its basic rate should be 15 percent, but the rate could be as low as 5 percent in case of fixed asset investments by shortage industries, while in the case of industries that should be restricted and in the case of nonproductive items of fixed asset investments a high tax rate of 30 to 40 percent should be imposed, thus guiding the flow of more of the newly increased key elements of production toward such industrial sectors that deserve to be preferentially promoted, and

to give impetus to the structural adjustment of pre-existing capital through adjustment of the direction of newly added capital.

It must be pointed out that the optimal composition of the industrial structure is an item of complex system engineering. As long as taxation is coordinated and tied up with such economic levers as finance, prices, credits, and rates of profit, forming a combined force for regulation and control, functioning in production as well as in investments, the adjustment of the industrial structure will achieve much better results.

Bank Official Views 1991 Monetary Policies

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[Article by Dai Genyou (2071 2704 2589), Investigation and Statistics Bureau, the People's Bank of China: "Principles Governing the Monetary Policy of 1991 and Measures to be Taken"]

[Text] 1. Background for the 1991 Monetary Policy

The monetary policy for 1991 has grown out of the results of the monetary policy of 1990. As an objective description of the results of the 1990 monetary policy, and as far as achievements are concerned, we have to say that there has indeed been the recovery of industrial production that we had hoped for. The year's total industrial output value was 6 percent higher than in the preceding year; in October, November, and December these increases had reached 12.7, 15, and 14.8 percent. However, at the same time we had to pay the price of a renewed increased pressure from currency inflation. In 1990, the volume of currency increases and credits in excess of economic growth vastly increased. The margin by which the two indices, M2 and credits, exceeded economic growth (industrial output value) was wider than in any year since 1985.

In 1990, inflationary pressure again increased, and this occurred under conditions of change in the macroeconomic environment. According to past experiences, whenever industrial production slowed down, increased granting of loans would generally after two or three months show a distinct favorable reaction in the industrial growth. In this way, without too large an increase in loans, the monetary policy could achieve the objective of inducing economic growth. However, conditions in 1990 were different; only after extending the easing up on loans to one year (starting from September of 1989) did any favorable reaction become evident in industrial production (prior to August of 1990, industrial growth had always been slow and unsteady). The reason why it was this way in 1990 was that due to the weak market, enterprises had difficulties selling their products. According to the Bureau of Investigation and Statistics of the People's Bank of China and according to statistics of the Industrial and Commercial Bank of China, about 95 percent of the additional loans to industrial enterprises (comparing November of 1990 with November of

the preceding year) became tied up in finished products and commodities shipped out from factories. The recurrence of increased inflationary pressure and the large increase in finished goods and commodities shipped out from factories constituted the fundamental problems in the results of the 1990 monetary policy, as they also constitute background for the 1991 monetary policy. Differing from the situation at the beginning of 1990, when we experienced the large decline in the inflation rate, when industrial production slowed down and became unsteady, the new economic problems of 1991 are causing China's monetary policy objectives to again shift and face as core problem the need to control inflation.

2. Monetary Policy for 1991

In view of this background to China's 1991 monetary policy, there are at least two points that must be considered in the monetary policy for 1991: One is that the volume of credits and the currency supply must be controlled somewhat stricter than in 1990; and the other is that we must concentrate major efforts on complying with the objective demands of economic circulation, on adroitly fitting our action to the prevailing circumstances, and on comprehensively activating tied-up funds. The first point is a means to cope with the increased inflationary pressure, and the second point is to cope with the reasons for the increased inflationary pressure, namely the obstructions in the economic circulation and the large-scale tying up of loan funds in finished products and commodities shipped out from factories.

Regarding the degree of controls. In line with the demand to have controls in 1991 more intensive than in 1990, the rates of increase in all important monetary norms must be lower in 1991 than in the preceding year. Let us first of all consider cash; in view of the relationship between currency and the economy, and on the premise that there will be no conspicuous rise in the degree of economic monetization and that the objective of our monetary policy is to achieve a zero rate of inflation, currency increase should be held equal to economic growth. However, considering the fact that the Chinese economy is still in the process of monetization and that the adjustment of the price structure is bound to result in a generally higher level of prices, the rate of currency increases could, to some appropriate degree, be higher than economic growth. A manifestation of the monetization of the economy is the reduction and slowing down of currency circulation. During the period from 1979 to 1989, the years with the largest fluctuation in currency circulation were the four years of 1979, 1980, 1984, and 1988. The first two of these four years witnessed the special circumstance of the rural reform, and the latter two years obviously contained elements of excessive release of currency into circulation. Omitting these four years, currency circulation in the other seven years slowed down by 4.2 percent. Some of these seven years were obviously also years with abnormal declines in currency circulation. For instance, in 1981 there were

still the effects of the rural policy, in the latter half of 1983 the overheating of the economy started, and after the second quarter of 1986, the money market had been eased up too far. Again disregarding these three years, the remaining four years of 1982, 1985, 1987, and 1989 saw currency circulation on the average reduced by 1.8 percent. If we assume the changes in currency circulation during these four years as normal (all these four years were years of general retrenchment), then we must plan for the rate of currency increase in 1991 to have a currency circulation reduction factor that is not larger than 2 percent. It is estimated that there will be a 4.5 to 5 percent increase in the GNP during 1991, add to it the factor of an increase in the overall price level due to the planned adjustment of the price structure, and it follows that the additional currency released into circulation in 1991 must not be more than at the rate of 10 percent.

We have to stress here one time with particular emphasis the problem of monitoring the norms of macroeconomic monetary control. In the final analysis, macroeconomic monetary control is control of the means of actual payments and purchases in the market, i.e. control of the volume of currency supply; loans become actual purchasing power only after they have been entered in the accounts as deposits to the credit of the enterprise concerned. If the loan balance of an enterprise is very high and its deposit balance very low, the enterprise is still short of funds. If we elevate this principle to become the accepted concept at the macroeconomic level, we gain an important new understanding, namely that the crucial point in monitoring the degree of credit control is to check whether the enterprise has an appropriate amount of deposits, and, one step further, an appropriate M1 level. Deposits or M1 of enterprises are the intermediate indices of the short-term monetary policy. During the several processes of financial retrenchment and financial easing up since 1985, each adjustment of the degree of credit control happened at the time when the rate of increases in deposits and M1 of the enterprise was extremely low. For instance, after the second quarter of 1986, credit was eased up because prior to that time, the deposit and M1 levels of enterprises was too low. After September of 1989 credit was eased up also because prior to that time, deposits and M1 of enterprises was too low. It was precisely only because the enterprises had been seriously short of actual means of payment and means of purchases that the banks were forced to ease up in the money market.

According to the principle that deposits and M1 of an enterprise are indices for the liquidity of the enterprise, furthermore, according to a retrogressive analysis of the data from January of 1985 to December of 1989 (not including 1990 because of the special circumstances in that year), the elasticity of M1 in relation to total industrial output value was 1.7. In consideration of the fact that during most of these times the economy was overheated, there is also included in this elasticity value a non-economic increase factor of currency (M1), so that the rational elasticity value should be somewhat lower.

However, even if this is so, according to a planned 6 percent increase in the 1991 total industrial output value, the average annual M1 must also not exceed 10 percent; that would be the limit to which it should be controlled in 1991.

3. Measures of the 1991 Monetary Policy

In conclusion, measures to be adopted in the 1991 monetary policy must on the whole be: first, oriented toward quantitative control, and second, oriented toward comprehensively activating tied-up funds.

Regarding quantitative control measures. The short-term monitoring indices for the degree of quantitative control are the deposits and the M1 of the enterprises, but realization of the degree of control depends on credit, while the crux of controlling credit are credits by the central bank. Because production is of a seasonable character, credits are also of a seasonable character. Under normal conditions, loans decline at the beginning of the year and reach bottom in May; they start going up in June and reach their highest point at the end of the year. This situation differs at the various specialized banks. The seasonable nature of loans granted by the specialized banks determines that loans of the central bank also assume a seasonable character. Because of the special position of the central bank, the seasonable nature of its loans can force specialized banks to show a seasonable character. Looking back at the several instances since 1984 when control was lost over the loan situation, those instances were directly related to violations by the various localities and various specialized banks of the rule of seasonableness. If it is the intention to truly achieve control, it is therefore necessary to painstakingly study the rule of seasonableness of loans under normal conditions in the various provinces and at the various specialized banks (it is necessary to quantify seasonal proportions). On this basis, it will be necessary to attune control and guidance to different places. If it is intended to achieve the dual control of loans by the central bank and control of the overall scope of loans in the next one or two years, it has to be only after acquiring knowledge of and familiarity with the said lawfulness that we may pass on to mainly controlling central bank loans.

Regarding measures for comprehensively activating tied-up funds. If measures for comprehensively activating tied-up funds will become reflected in a regulation of the flow of funds, this is quite alright. It is equally appropriate to submit various proposals for a policy on regulating the flow of funds. One point that has to be supplemented along these lines of ideas is that the regulation of the flow of funds must give consideration to the restraints imposed by the material (commodity) factor. Proposing these ideas implies as regards policy that we should first analyze which are the main items of finished products that are being stockpiled? Then we should analyze, when it comes to absorbing these finished products, which do and which do not conform to

industrial policy? Subsequently, we must place investments into the hands of those whose purchases conform to industrial policy trends. In this way, absorption of finished products and industrial development will become organically integrated. Once finished products are absorbed, tied-up funds will naturally be activated. For instance, construction materials are now being stockpiled, while an appropriate volume of house constructions also conforms with the direction which industrial development should take. In that case, the banks should appropriately increase the loan of funds to be invested in house construction. In this example, increasing an investment loan is more reasonable than granting a loan that will increase the working capital of the construction enterprise concerned.

In order to achieve the objective of its own monetary policy, the central bank will have to rely on the currency policy tools (means) which are at its disposal. The policy of China's Central Bank, apart from controlling the scope of credits, granting central bank loans, and conducting a small amount of security trade, is also to control the interest rate and the deposit reserve fund. As to the interest rate, according to the present state of prices and the psychological expectations of the citizens, the emphasis should here be on stability and no changes ought to be made again in the near future. The deposit reserve fund, as it is now being initiated in China, is a means for the central bank to concentrate funds. Considering the fact that central bank loans account for a very high proportion of special bank loans, also that they are of a very high degree of rigidity, the regulatory function of the deposit reserve fund on the tightening or easing up of the banks is actually not very large, and the central bank loans have a very strong offsetting effect on the tightening or easing up of the banks. Considered under these aspects, there should also be no changes made in the present deposit reserve fund.

INDUSTRY

Shanghai's Five-Year Plan Results, Projections

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[Article by Wu Zhenguo (0702 2182 0948) and Zhu Zhaosong (4376 0340 2646): "The Review of the Seventh Five-Year Plan and the Projections of the Eighth Five-Year Plan in Relation to Shanghai's Industrial Readjustment and Development"]

[Text] In the Seventh Five-Year Plan period, implementing the party's reform and open policy and in accordance with the demand of Shanghai's economic development strategy, Shanghai's industrial department carried out readjustments in many areas including product mix, industrial structure, production distribution, and enterprises' organizational structure while

developing overall production. It also sped up the transformation of traditional industries, vigorously and selectively expanded new industries, and enabled Shanghai's industry to take one step higher in regard to its production scale, technological level, product quality, and ability to enter the international market, to export, and to earn foreign exchange. By doing so, it made new contributions to revitalizing Shanghai and national economic construction and set a new starting point for Shanghai's industrial readjustment and development in the 1990's.

I. Main Achievements and Characteristics of Shanghai's Industrial Readjustment and Development in the Seventh Five-Year Plan Period

1. Industrial production achieved appropriate growth.

In the first four years of the Seventh Five-Year Plan period, Shanghai's industry strove to overcome various problems in the period of transition from old to new systems and in economic development (such as energy, raw materials, and financial shortages, market fluctuation, large increases in the price of capital goods, imperfect rules of market operations, and market competition under unfair conditions) and maintained a definite growth rate. Calculated according to the constant price of 1980, Shanghai's total industrial output value was 86.977 billion yuan in 1985, exceeded 100 billion for the first time in 1988, and reached 111.483 billion in 1989. It increased 28.2 percent in these four years, averaging 6.4 percent a year, slightly higher than the 6 percent average annual increase rate required by the Seventh Five-Year Plan.

Statistics show that due to the influence of such factors as demand and investment fluctuations, the increase rate of industrial production also fluctuated in these four years. The increase rate was 5.5 percent in 1986, 6.7 percent in 1987, 10.5 percent in 1988, and 5 percent in 1989. The difference between the highest and the lowest year is 5.5 percentage points. Compared to various five-year plan periods after Shanghai's liberation, this fluctuation rate is relatively small.¹ This shows that in the Seventh Five-Year Plan period, the development of Shanghai's industrial production tends to be stable as a whole.

2. The readjustment of product mix and industrial structure achieved initial success.

In the period of the Seventh Five-Year Plan, in accordance with the principle of "four low's and two high's" (low consumption, low utilization of materials, low volume of transportation, and low "waste in three forms" and high density of technology and high added value) and in light of changes in domestic and international markets and the demands of readjusting the distribution of productive forces and giving full play to Shanghai's comprehensive advantages, Shanghai's industry carried out the readjustment of product mix and industrial structure. The general situation of progress in the first four years was that the equipment

industry developed obviously faster than the raw materials industry, and the raw materials industry developed slightly faster than the consumption industry, forming a tripartite situation where the consumption, raw materials, and equipment industries each accounted for a third. In these three major industrial sectors, a number of low-quality products which did not sell on the market and had poor economic returns and relevant trades were gradually reduced or eliminated whereas a number of high-quality, name-brand products which sold well on the market and had good economic returns, export and foreign exchange-earning products, hi-tech products, and relevant trades were given priority and selective support in development. This effectively facilitated the upgrading of industrial structure.

In the first four years of the Seventh Five-Year Plan period, the consumption industry increased an average of 3 percent a year and its proportion in Shanghai's total industrial output value declined from 36.8 percent in 1985 to 33.7 percent in 1989.

In the first four years of the Seventh Five-Year Plan period, the raw materials industry increased an average of 4.9 percent a year and its proportion in Shanghai's total industrial output value declined from 33.1 percent in 1985 to 32.5 percent in 1989.

In the first four years of the Seventh Five-Year Plan period, the equipment industry increased an average of 8.4 percent and its proportion in Shanghai's total industrial output value increased from 30.1 percent in 1985 to 33.8 percent in 1989.

New industries were developed selectively in the Seventh Five-Year Plan period. The production scale and coordinating capabilities of the microelectronic and computer industries were further expanded, the industrialization conditions of optical fiber communications and new materials were ripening, and new progress were made in bio-technology, laser technology, soft manufacturing technology, and the development of industrial robots.

3. The total volume of exports increased and structure improved.

In the Seventh Five-Year Plan period, Shanghai fully utilized its favorable site-location conditions and comprehensive advantages which had already been formed, and seized the opportunity to further open up and speed up the change to an export-oriented economy. In the course of development and readjustment, Shanghai's industry allocated productive factors and readjusted product mix in the order of expanding exports and foreign exchange earnings, increasing the city's supply, and considering the domestic market. It also adopted some policy measures to encourage enterprises to enter the international market and competition. Shanghai's industry also reformed the foreign trade system, gradually strengthened and improved the link between trade and industry, and implemented in an all-round way the export agent system, especially in major export textile

industries, resulting in a large increase in Shanghai's export of industrial products. In 1989 the gross value of Shanghai's foreign export was \$5.032 billion, an increase of 49.7 percent over 1985, averaging 10.6 percent a year, of which the average annual increase of the export of industrial products was 13.4 percent, reversing the stagnant and declining situation of foreign trade in the Sixth Five-Year Plan period. The proportion of the output value of direct export products in Shanghai's total industrial output value increased from 10.7 percent in 1985 to 15 percent in 1989. This shows that the degree of export orientation of industrial products has somewhat increased.

The mix of export products improved markedly. An emerging tendency is developing from raw materials and semi-finished products to finished products and from primary products to products of multiple processing. Comparing 1989 with 1985, the proportion of industrial products in foreign exports increased from 77.2 percent to 85.1 percent; the proportion of heavy industrial products in the export of industrial products increased from 24.2 percent to 27.3 percent; and the proportion of machinery and electrical products in the export of heavy industrial products increased from about 60 percent to over 70 percent.

4. Large- and medium-sized state enterprises continued to play a backbone role in economic development.

In the Seventh Five-Year Plan period, Shanghai's industry maintained the pattern which was based on the public economy and allowed the co-existence and development of multiple economic factors. Statistics show that although the development of state-owned industries was relatively slow, they still occupied a leading position in general. Especially large- and medium-sized state enterprises still acted as an important mainstay of the foundation of the socialist economy and a backbone force leading economic development. In the first four years of the Seventh Five-Year Plan period, the gross output value of Shanghai's state industries increased on the average of 2.1 percent a year, and its proportion in Shanghai's gross industrial output value declined from 77.5 percent in 1985 to 65.8 percent in 1989. The gross output value of collectively owned industries increased on the average of 9.4 percent, and its proportion rose from 19.3 percent to 21.6 percent. The gross output value of other types of industries increased on the average of 50.7 percent, and its proportion rose from 3.2 percent to 12.6 percent. The gross output value of enterprises with "three sources of capital" of the third category increased on the average of 1-fold a year, and its proportion in Shanghai's gross industrial output value increased from 0.3 percent to 3.8 percent.

Through the development and construction of the Seventh Five-Year Plan period, the number of large- and medium-sized enterprises in Shanghai increased from 584 in 1985 to 850 in 1989. These large- and medium-sized enterprises, which have relatively concentrated

funds, fairly advanced equipment, apparent technological advantages, hold a decisive position and role in the economic development of Shanghai. According to the statistics of 1989, the gross industrial output value of large- and medium-sized enterprises accounts for 60.8 percent of the city's total, the total amount of tax and profit delivery they achieved accounts for 70.7 percent of the city's total, and the total amount of tax and profit they delivered to the state accounts for 75.8 percent of the city's total. In view of the problems facing the production of large- and medium-sized enterprises during the shifting of economic systems, the state adopted some measures during the period of improvement and rectification to change the macroeconomic environment in a direction favorable to large- and medium-sized enterprises to boost their vitality.

5. Technological progress increased its impetus to production development.

In the Seventh Five-Year Plan period, Shanghai made new progress in accelerating technological advancement. It is manifested mainly as follows: 1) The tempo of technological transformation has increased. 2) Attention has been given to the introduction and assimilation of advanced foreign technologies. 3) The integration of science, technology, and production has been strengthened. 4) Management and enterprise quality have been improved.

Technological progress has increasingly become an important guarantee and impetus in Shanghai's industrial development. According to the estimates of the State Statistical Bureau, the current level of the technological progress of Shanghai's industries is 34.8 percent higher than the average level of industries in other cities, and ranks the highest in China.² Technological progress has effectively accelerated the increase of production, the readjustment of structure, and the improvement of product quality and grade. In recent years, over 60 percent of the annual increase in the output value of Shanghai's industries was achieved through technological transformation. Thanks to technological transformation and development, the steady quality improvement rate of Shanghai's major industrial products increased from 80.6 percent in 1985 to 88.7 percent in 1989, the output value rate of quality products increased from 25.7 percent to 35 percent, and the output value rate of new products of key enterprises increased from 10.9 percent to 12.1 percent. At the same time, technological progress has also had obvious effects on increasing labor productivity and reducing energy and raw materials consumption. The expansion of the factor of technological progress and the accumulation of its effect in the Seventh Five-Year Plan period have provided staying power for Shanghai's industry to make further development.

II. Major Problems and Contradictions of Shanghai's Industrial Readjustment and Development in the Seventh Five-Year Plan Period

In the Seventh Five-Year Plan period, a relatively prominent problem in Shanghai's industrial development was

unsatisfactory economic returns. Consequently, Shanghai's superiority in the nation was also weakened accordingly. Labor productivity, energy saving, consumption reduction, product quality, and other norms were improved but at a fairly slow rate. In the first 4 years of the Seventh Five-Year Plan period, the labor productivity of the whole staff of state enterprises increased on the average of 1.7 percent a year, and the average energy consumption of 10,000 yuan output value declined on the average of 0.8 percent a year. Most economic efficiency norms reflecting the amount of value have continued to decline substantially. Comparing 1989 with 1985, the amount of tax and profit delivery derived from 100 yuan of output value of industrial enterprises practicing independent accounting in Shanghai declined from 26.91 yuan to 22.83 yuan, averaging 4 percent a year; the amount of tax and profit delivery derived from 100 yuan of sales income declined from 27.83 yuan to 16.8 yuan, averaging 11.9 percent a year; the amount of tax and profit delivery derived from 100 yuan of funds declined from 56.9 yuan to 27.09 yuan, averaging 16.9 percent a year; the amount of gross industrial output value derived from 100 yuan of original fixed assets declined from 235.22 yuan to 144.61 yuan, averaging 11.5 percent a year; and the turnover time of fixed working funds slowed from 73 days to 94 days, averaging over five days a year. The increase rate of the cost of comparable products has also increased year after year. It rose 7 percent in 1985, 8 percent in both 1986 and 1987, 15.9 percent in 1988, and 20.3 percent in 1989.

Factors affecting Shanghai's industrial economic efficiency are fairly complex, and quite a few are related to objective factors such as changes in the state's macroeconomic policy. But further analysis at a deeper level shows that the decline of the economic efficiency of Shanghai's industry also reflects that Shanghai's industry has a series of profound problems and contradictions in the areas of production structure, technological level, management level, and organizational mechanism.

1. The structure of industrial production does not reflect changes in the structure of market demand and resource supply.

For a fairly long period in the past, Shanghai's industry was able to maintain a fairly high increase rate and relatively good economic returns. A main reason is that Shanghai had a number of leading industries and backbone products which played a leading role and occupied a dominant position. Under the impetus of these leading industries and backbone products, Shanghai's industry established a comprehensive, completely coordinated industrial system. In recent years, as economic development sped up throughout China, changes occurred in the environmental condition of Shanghai's industrial production. On the one hand, the frequency of market changes increased and the level of demand for Shanghai's products was higher. On the other hand, the industrial structure of all localities became more and more identical, the competition of processed products was

intensified, and raw materials and semi-finished products were in short supply everywhere. Such an environmental change caused Shanghai to gradually lose its original superiority in products and industries, forcing it to carry out structural reform and reorganization of its original industrial system, to demand that less materials be consumed to produce more hi-tech and value-added products, and to consider using more overseas markets and resources to change production from a domestic market-oriented type to an export-oriented type. But in the course of such readjustment and change, Shanghai's new leading industries and backbone products have not really established a competitive superiority in domestic and international markets. Especially in the field of high technology and the development of fledgeling industries, Shanghai is still in the initial period of industrialization and has not reached a definite scale of economies. Because the readjustment of production structure failed to catch up with the changes in the structure of market demand and resource supply, the progress of intensive management of Shanghai's industry has been held back and many opportunities have been lost in the course of development.

2. The leading position of technological progress has not been established in economic development.

Although the factor of technological progress was expanded in the Seventh Five-Year Plan period, Shanghai's industrial development still relied mainly on the input of various resources. According to the estimate of economic metrological model, in the last four years, the coefficient of influence of fixed-asset investment, working funds, energy supply, and other input factors on production growth was over 0.65, and the characteristics of extensive management were very obvious in the course of expansion of reproduction.

The analysis of the technological development of Shanghai's industrial enterprises also shows that there are four problems: 1) Enterprises lack motive power and pressure for technological innovation. After signing management contracts, many enterprises stress short-term output value, the increase of tax and profit delivery, and the increase of workers' bonus and welfare and ignore the appreciation of property value, the renewal of equipment, the development of new products, and technological reserves which determine the staying power of long-term development of enterprises. 2) The input in technological development is too low. In 1988 the technological development funds of large- and medium-sized industrial enterprises were 1.111 billion yuan (about a half were raised by enterprises themselves), equivalent to 1.54 percent of enterprises' sales income. This ratio is not only much lower than the level of their counterparts in developed countries but also lower than the national average in that year. 3) The imbalance of technological development has damaged the overall efficiency of technological advantage. Shanghai's industrial enterprises are highly interconnected with one another and they require a great degree of coordination. But because of the

restriction of subjective and objective conditions, technological developments often fail to coordinate with one another and cause "technological bottleneck," affecting the full release of the overall effect of technological advantage. 4) The level of technological development is relatively low. Over 90 percent of either development projects or investment funds are not in the area of high technology.

In the course of reform in recent years, Shanghai put more emphasis on improving enterprises' external environment and readjusting interest relations and lacked effective measures for tapping enterprises' internal potential. Shanghai, especially, paid no attention to encouraging enterprises to do a good job in management, strictly enforce labor discipline, and strengthen quality control. Due to poor technology and management, the gap between many Shanghai's products and advanced foreign levels is expanding and the gap between Shanghai's products and their domestic counterparts are narrowing in the areas of performance, quality, grades, packaging, and consumption. It is very difficult to increase economic returns because the factor of extensive motivation is greater than the factor of intensive motivation and because the degree of capital intensiveness is greater than that of technological intensiveness.

3. The irrationality of enterprises' organizational structure has affected the optimized organization of productive factors.

The lack of the economy of scale in enterprises, the irrationality of productive organizations, and the "coexistence of excessive and under supply" of productive factors in many departments and enterprises are very common phenomena. Many products have not formed the efficiency of scale. For instance, a new generation of consumer goods such as color televisions, refrigerators, washing machines, radio-recorders, air conditioners, vacuum cleaners, microwaves, and electromagnetic stoves emerged in the 1980's. There are so many units producing such goods, scattered all over the area; they are so numerous, brands of such goods become confused. Due to decentralized management and insufficient scale of mass production, production costs remain high, and the performance, quality, and variety of products are impossible to be improved or updated continuously. At the same time, all departments and enterprises also pursue "large and complete, small and complete" which forms a complete system of its own. The degree of specialized division of labor is relatively low. For instance, technological equipment such as electroplating, heat treatment, casting, and forging, machine repair and transport equipment, and various supplementary welfare facilities exist in all enterprises, large and small. Consequently the effective utilization rate of resources is very low. Enterprises' organizational mechanism is not flexible, either. Enterprises have not established a mechanism to regulate their own scale and organizational form according to changes in external environment. Plus the fact that the market of productive factors is less developed and enterprises' organizational law is imperfect,

there is no way for enterprises to carry out in a timely manner the optimum reorganization of productive factors through mergers, integrations, and auctions to preserve the superior and eliminate the inferior. The irrationality of enterprises' organizational structure makes it hard for enterprises to meet the demand of domestic and international market competition. It is also detrimental to the improvement of industrial economic returns.

In addition, in the Seventh Five-Year Plan period, Shanghai's industrial structural readjustment also encountered a series of thorny contradictions in the course of concrete planning and execution. 1) The contradiction between rationally readjusting industrial structure and fulfilling the tasks of both financial and foreign trade contracts. According to the demand of Shanghai's economic development strategy, Shanghai's traditional industries need to be reformed, old enterprises' technological equipment needs to be updated, general and low-quality products need to be shifted outside, and the excessively concentrated enterprises of old districts need to be gradually dispersed. But under the current system of "double contracts," it is very hard to stop the production of some traditional products, especially raw materials, for it would have a chain reaction on the production of hundreds or even thousands of plants. If the production of some traditional products is reduced while new products and new industries are still unable to fill up the gap temporarily, it would directly affect the increase of foreign exports and financial income of that year. So, finding a new strong point for Shanghai's tasks of financial and foreign trade contracts and effective ways and measures to transfer from the old strong point to the new one becomes a problem in the course of readjustment. 2) The contradiction caused by the fact that Shanghai's industrial structure is becoming identical with the industrial structures of other provinces and cities. In recent years all localities have rapidly developed general processing industries, and they have been enthusiastic only about expanding quantity and scale in industrial development. Because of this plus the fact that many imports are duplicated, the industrial structure, product mix, and the structure of resource demand of all localities have become increasingly similar. A consequence of such identical structures is weakening overall national advantages and the complementary effect of all localities created by developing strong points and avoiding shortcomings, thus resulting in enormous waste of resources and efficiency. Different levels and different fields have different views on this issue. It is even more difficult to adjust the distance of policy. In the course of structural readjustment and distribution arrangement, Shanghai's industry directly encountered several contradictions: One is between giving priority to or limiting Shanghai's products and major national products. Another is between the overall development planning of local and central enterprises. Still another is between Shanghai's obligation to control the quantity and scale of raw materials industry and the increasing difficulty of transferring raw materials from outside the city. The last one

is caused by the clash of Shanghai's products with similar products from other provinces and municipalities in exports, competing by lowering prices, and the outflow of resources. If the state industrial policy fails to coordinate and interfere effectively, Shanghai's industrial structural readjustment is bound to run into numerous problems and even deviate from its goals.

III. Basic Trends of Thought for Shanghai's Industrial Readjustment and Development in the Eighth Five-Year Plan Period

In the Eighth Five-Year Plan period, Shanghai's industry should regard vigorously developing the export-oriented economy as its main goal, strive to open up the international market and expand exports, and make greater use of foreign funds and resources to strive to basically complete the general frame of export-oriented economy in Shanghai. At the same time, it should rely on technological progress to carry out the readjustment of industrial structure and the reorganization of enterprises, implement the principle of "low consumption, medium speed, high efficiency," adopt an intensive management strategy, firmly follow the road of production development characterized by little input, high output, high technology, high economic returns, high exports and foreign exchange earnings, and intensive management, and gradually shift its development from the speed type to the efficiency type and from the type dominated by material input to the type dominated by scientific and technological progress.

Based on the goal that by the end of this century Shanghai's GNP should quadruple and its industry should account for 50 to 55 percent of its GNP and considering Shanghai's current production scale and efficiency level, the initial estimate is that in the 1990's Shanghai's industrial growth rate should average 5.8 to 6.3 percent. Since the Eighth Five-Year Plan falls in the period of economic readjustment and there are improvement and rectification tasks to be fulfilled, the speed cannot be set too high. So we suggest that Shanghai's industrial growth rate in the Eighth Five-Year Plan period be set at 5 percent or slightly higher. In the first two years the speed should remain around 4 percent and in the last three years the speed should be around 5.7 percent. In the Eighth Five-Year Plan period, Shanghai's industrial development goal should not be limited to maintaining a proper overall growth rate. What is more important is readjusting structure and increasing efficiency to lay a better foundation for long-term development in the Ninth Five-Year Plan period and even in the 21st century. Because of this, in the Eighth Five-Year Plan period, Shanghai's industrial readjustment and development should strive to take a few new steps.

1. Take a new step in relying on technological progress, improving product quality, reducing material consumption.

Shanghai's industry should not follow the road of extensive development which simply relies on increasing the

input of resources and expanding the scale of production. It needs to rely on technological progress, raise management level, transform and tap the potential of existing enterprises, vigorously readjust product mix, and formulate technological equipment policy accordingly so as to push itself onto the road of intensive development. Under the prerequisite of ensuring the marketability of products and improving the quality of products, Shanghai's industry should try to maintain or lower the level of energy and raw material consumption and bring about an appropriate growth rate of industrial production.

2. Take a new step in vigorously increasing exports and foreign exchange earnings and readjusting the structure of export commodities.

In the Eighth Five-Year Plan period, Shanghai's textile and light industries will still be the mainstay of exports and foreign exchange earnings. The exports of light and textile products should maintain a steady increase rate. The textile industry in particular should substantially increase the tonnage of fibers to earn foreign exchange while controlling the overall scale, raising the level of processing, and straightening out industrial and foreign trade systems. It is necessary to further increase the ratio of machinery and electrical products in exports and expand the exports of power generating equipment, computers, numerically controlled machine tools, and other hi-tech electronic products and electrical machinery. While the export growth rate is higher than the industrial production growth rate, efforts should be made to achieve a higher level of updating and renewal in the structure of export commodities.

3. Take a step in applying new technologies to revamp traditional industries and pushing the industrial structure to a higher level.

While expanding the use of foreign funds, importing new technology, and using the "grafting" method to revamp old enterprises, Shanghai should give full play to its existing technological advantages, consider the development and application of microelectronics as the point of breakthrough, and concentrate on the production of import substitutes including automobiles, power station equipment, communications equipment, computers, household electrical appliances, precision instrument and meters, precision machine tools, high-efficiency forging equipment, precision medical equipment, and office automation equipment. Great efforts should be made to develop the electronic and electrical machinery industries, speed up the tempo of import, assimilation, and innovation, accelerate the process of duplicating foreign products at home, achieve the production of scale as soon as possible, and try to make such industries become Shanghai's major leading industries in the latter part of the 1990's. It is also necessary to basically complete the process of import substitution and promptly shift to the export-oriented strategy to push Shanghai's industrial structure to a still higher level.

4. Take a new step in the overall planning and cooperative development of local and central industries.

Along with the completion and operation of large projects such as the second phase of the Baoshan Iron and Steel Complex and Shanghai's 300,000-ton ethylene project, local raw materials industries should fully use the favorable conditions of the central industries of the Baoshan Iron and Steel Complex and Jinshan Petrochemical Company in regard to resources, technology, management and infrastructure, and, in accordance with the scale of resources and development formed by the two companies as well as Shanghai's needs and capabilities, make overall plans to readjust and reform Shanghai's existing raw material industries. They should combine the advantage of the scale of production of the two companies with the advantage of small quantity and diversity of products of local industries, raise the level of processing, and turn as much raw materials as possible into a new generation of high value-added machinery and electrical products and chemical, light, and textile products of multiple processing.

5. Take a new step in organizing entity-type enterprise groups and further readjusting enterprises' organizational structure.

It is necessary to regard several hot-selling export goods and import substitutes as the lead, industrial integration, the economy of scale, and specialized cooperation as the principle, and large and medium-sized state enterprises as the center in organizing a group of entity-type enterprise groups which integrate science, industry, and foreign trade and are fairly competitive on the domestic and international markets. This is to lay a new foundation for the microeconomic organizations of industrial development in Shanghai. At the same time, it is also necessary to carry out the optimum reorganization of productive factors by closing, suspending, merging, and retooling those enterprises whose products have no market or which suffer from poor management and long-term losses.

6. Take a new step in accelerating the development of Pudong and rationalizing industrial distribution.

Recently, the CPC Central Committee and the State Council adopted a major strategic policy decision on speeding up the development and opening up of Pudong. Shanghai should seize this opportunity and take full advantage of the fact that there will be a greater degree of opening up due to the development of Pudong to absorb through multiple levels and channels more productive factors such as funds, technology, and personnel from foreign countries, neighboring provinces and municipalities, and pertinent central departments, selectively develop a new generation of export processing industries and financial, trade, and information industries. At the same time, Shanghai should borrow the experience of success gained by large cities at home and abroad in developing new districts, consider the planning and construction on both sides of Pu Jiang as a whole project,

disperse in a planned, step-by-step, stage-by-stage, and level-by-level manner overcrowded industries and population in the central district within the Zhongshanhuan road in Puxi District, and relocate them to Pudong and other satellite towns. This will give Shanghai's industrial development a relatively rational distribution of space.

Footnotes

1. The difference between the highest annual growth rate and the lowest annual growth rate was 39.7 percentage points in the First Five-Year Plan period, 88.8 percentage points in the Second Five-Year Plan period, 10.9 percentage points in the three-year readjustment period, 26.8 percentage points in the Third Five-Year Plan period, 4.1 percentage points in the Fourth Five-Year Plan period, 10 percentage points in the Fifth Five-Year Plan period, and 9.8 percentage points in the Sixth Five-Year Plan period.

2. The State Statistical Bureau used the Kebu [2688 1580]-Douglas function, which is widely used internationally, to calculate the technological progress level of all major cities in China. With 10,000 yuan of funds, every worker of Shanghai's industrial enterprise can produce 19,871 yuan of gross industrial output value a year. The average national level of urban industries is 14,746 yuan.

Heilongjiang Communications Investment for 1991-95

SK2903065691 Harbin HEILONGJIANG RIBAO
in Chinese 4 Mar 91 p 1

[By Reporter Chen Yan (7115 1484): "During the Eighth Five-Year Plan Period, Our Province Will Invest 1.9 Billion Yuan in Communication Development"]

[Summary] During the Eighth Five-Year Plan period, our province will invest 1.9 billion yuan to actively develop communications undertakings, an increase of 3 times that of the Seventh Five-Year Plan period. During this period, the volume of urban telephone switchboards will be increased to 800,000 channels or even to 1 million channels and telephones lines will be increased by 420,000 to 620,000 lines, 85 percent of which are program-controlled telephone switchboards of advanced world level, presenting an annual increase of 16.3 percent. By that time, the number of telephones owned by every 100 people in Harbin City will be increased from 5.1 telephones to 12.3 telephones. Four digital microwave lines will be built from Harbin to Heihe, Harbin to Jagdaqi, Harbin to Jiamusi, and Beian to Qiqihar. The total length of the province's microwave lines, ground cable lines, and optical fiber cable lines will reach 7,252 km. The number of long-distance telephone lines will reach 15,000. After the fulfillment of the Eighth Five-Year Plan, our province's communications capacity will increase by 700 percent over 1980.

More National High Technology Industrial Zones Planned

OW2203161291 Beijing XINHUA in English
1444 GMT 22 Mar 91

[Text] Beijing, March 22 (XINHUA)—The State Council has approved the establishment of 26 more national high technology industrial zones and formulated a unified preferential policy in a bid to speed up the development of high technology industries in China.

Li Xue, vice-minister of the State Science and Technology Commission, said at today's press conference that such zones are the main high technology industries development bases in China, aimed at promoting the quick transformation of high technology results into commercial production.

Li added that a program to that end was started in August 1988 to establish, roughly in ten years, a comparatively complete system of high technology industries on the mainland of China. This will continually advance the technological transformation of the traditional industries and promote the technical progress of the key industries of the national economy.

It was learned that since the establishment of the first high technology industrial zone—the Shenzhen Science and Industry Zone in July 1985, 38 high technology industrial zones have been set up on the Chinese mainland. Among these 38 zones, 27 are national one designated by the State Council.

The number of the high technology enterprises within the zones exceeds 2,500. The total income generated by these enterprises surpassed seven billion yuan in 1990.

Li said that such enterprises are entitled to appropriate tax reductions or exemptions.

Building Materials Exports Rise

HK2303070991 Beijing CHINA DAILY in English
23 Mar 91 p 2

[By staff reporter Zhang Yuan]

[Text] China's building materials industry saw a continuous increase in exports in the first two months of this year, China Daily learned yesterday.

Customs figures show that cement exports during that period reached 597,912 tons, registering an increase of 212.4 percent over the same period last year.

Deputy director Yang Zhiyuan of the State Administration of Building Materials Industry said that cement exports mainly went to Southeast Asian countries, Japan and South Korea as well as Hong Kong and Taiwan.

He said that so far this year cement exports "are encouraging," and predicted that exports this year will probably exceed last year's record high of 6.83 million tons.

He also said the industry is ready to cooperate with overseas companies in the manufacturing and supplying of building materials.

He disclosed that a U.S. company has recently ordered 250,000 tons of high grade cement from the industry, but declined to give more details.

Yang said production of the country's building materials industry "has not yet fully come out of the declining production valley" dating back from last year.

That was mainly caused by falling demand for building materials at home due to a sharp cut-back in capital construction investment associated with China's austerity program, he said.

However, the production situation of the industry "is turning for the better" due to rising demand and an improved climate for production.

In the first two months of this year, he said, total output of the industry increased by 19.73 percent to 5.54 billion yuan (\$1.06 billion) compared with the same period last year.

Shanghai Boosts Machinery, Electrical Appliance Industries

*OW2303090891 Beijing XINHUA in English
0730 GMT 23 Mar 91*

[Text] Shanghai, March 23 (XINHUA)—The machinery and electrical appliance industries have become mainstays of Shanghai's industrial sector.

According to statistics, the city exported 980 million U.S. dollars-worth of machinery and electrical appliance products last year, accounting for 18.5 percent of the city's total export volume.

According to the municipal authorities, Shanghai has rearranged its machinery and electrical appliance industries to cater more to the needs of foreign markets in recent years.

One half of more than 1,000 machinery and electrical appliance enterprises in Shanghai are producing export-oriented products. Included are 27 enterprises which are empowered to undertake imports and exports by themselves.

A medium- and long-term development program has been worked out to boost 20 types of products, including electrical machinery, machine tools, medical equipment, power station facilities, motor vehicles and tractors.

According to the program, the city will export more than one billion U.S. dollars-worth of machinery and electrical appliance products this year, up eight percent over last year.

Zou Jiahua Targets Industrial Growth at 6 Percent

*OW2603031291 Beijing XINHUA in English
0304 GMT 26 Mar 91*

[Text] Beijing, March 26 (XINHUA)—China plans to increase its industrial output value by six percent this year over that of 1990, state councillor and minister in charge of the State Planning Commission Zou Jiahua said here today.

Presenting his report on the execution of the 1990 plan and the plan for 1991 to the on-going fourth annual session of the Seventh National People's Congress [NPC] this morning, Zou said that this will require a rise of three to four percent in the industrial output value of state-owned industries and a 10 to 12 percent increase in the village and township industries.

The planning minister told the more than 2,600 NPC deputies that the state plans to produce 1.11 billion tons of coal, 30 million tons more than in 1990, 138.8 million to 139.3 million tons of crude oil, or 0.8 million tons and 1.3 million tons more than in 1990, 645 billion kwh of electricity, 27 billion kwh more than last year, 65 million tons of steel, slightly less than last year, 4,133,000 to 4,313,000 tons of yarns and 6 million tons of sugar.

He assured the deputies of the fulfillment of the targets, saying that the plan could be fulfilled or even surpassed as there would be relatively ample supply of energy and raw and semi-finished materials and a rise in investment scale and consumer demand this year over last year.

In order to meet the planned targets, the planning minister called for a better job in readjusting the product mix, improving product quality and enhancing economic performance.

He also called for efforts to maintain a sustained growth in the energy industry, improve the variety and quality of principal raw and other materials, speeding up the intra-trade association, regrouping and technical transformation in the machine-building and electronics industries in order to use the existing production capacity to the full.

He urged the textiles and other light industry enterprises to strive for noticeable improvement in variety, design and product quality.

State Council Approves Ethylene Plant Construction

*OW2803014691 Beijing XINHUA Domestic Service
in Chinese 2104 GMT 26 Mar 91*

[By XINHUA correspondent Cai Zhan (5591 3277)]

[Text] Guangzhou, 27 March (XINHUA)—The State Council has recently approved the construction of a 300,000 metric tonnes ethylene plant to be carried out during the Eighth Five-Year Plan by the Maoming

Petroleum Company. The construction of this plant will help develop the company into a giant oil refinery and petrochemical enterprise group.

Ethylene, the leading product in the petrochemical industry, is the raw material for the manufacture of three major synthetic materials namely, plastic, synthetic rubber, and synthetic fiber. The ability to produce ethylene has become an important indicator reflecting a nation's comprehensive strength. To date, five 300,000 metric tons ethylene plants have been built in north, east, and northeast China.

3 Electronics Projects Pass State Appraisal

OW2803184591 Beijing XINHUA in English
1610 GMT 28 Mar 91

[Text] Beijing, March 28 (XINHUA)—Three electronics projects involved in the research of large-scale integrated circuits, computer systems, and computer software passed state appraisals here today.

The projects were listed as key state scientific and technological projects for the Seventh Five-Year Plan (1986-1990), according to an official from the Ministry of Machinery and Electronics Industry.

The official said that the projects were part of an overall systematic program developed for China's electronics industry during the past five years.

The aim of the program was to promote national economic construction by developing China's micro-electronic and computer industries, and facilitate efforts to reshape the country's traditional industries, as well as to advance the information industry.

The three projects involved 17 major areas of concentration, which in turn involved 299 specific development items. The projects involved the efforts of over 10,000 scientists who came from 1,200 research institutes throughout the country.

The focus of the research was to enhance China's ability to become more self-reliant in the development of micro-computers and supplementary equipment.

The official said that domestically produced 16-byte microcomputers and 32-byte minicomputers gained a dominant position in the Chinese computer market.

He pointed out that the success of the three projects has provided a foundation for the further development of China's micro-electronic, computer and software industries, and greatly expanded the country's computer applications capability.

The projects also provided conditions favorable for China's products to compete in the world computer market, and for the industries to stay abreast of advanced world levels in the field.

Rise in Nonferrous Metal Output Reported

HK2803030791 Beijing CHINA DAILY in English
28 Mar 91 p 2

[By staff reporter Ren Kan]

[Text] Nonferrous metals output in China enjoyed an increase of 11.5 percent during the first two months of this year compared to the same period in 1990, the China National Nonferrous Metals Industry Corporation announced yesterday.

Total production of the 10 major metals—copper, aluminum, lead, zinc, nickel, tin, antimony, mercury, magnesium, and titanium—hit 383,000 tons during the January and February period, said an official with the corporation.

The output figure represents 16.6 percent of the 2.3 million ton production target the central government has assigned the corporation this year.

Of the first two months' output, aluminum production enjoyed a 16 percent rise from last year with a total output of 151,264 tons.

The output of zinc also witnessed a 32 percent increase over last year's corresponding period with a total of 90,837 tons.

However, the output of lead and copper declined because some of the machinery was being overhauled.

The official attributed the increase to favourable supplies of raw materials and electricity.

The rise in the production will surely bolster the corporation's confidence in its ability to increase output during the coming five years.

By 1995, the annual output of 10 major metals is expected to jump to 3 million tons.

The steady growth of the industry is expected to enable it to meet the rising domestic demands stimulated by the development of technology and the metallurgical industry.

Nonferrous metals have been in short supply in China and the industry has been unable to meet demand.

To ensure its steady development, the industry will concentrate on 10 key construction projects during the coming five years.

These projects mainly include copper, lead and zinc mines, and aluminum factories.

After the completion of these projects, the annual ore production capacity is predicted to increase by 130,000 tons.

Preparatory work for the construction of some of the 10 projects has started, and others of the designated projects are still waiting for the final approval of the State.

An official with the corporation said the country will seek Sino-foreign cooperation in the form of joint ventures and compensation trade to ensure the construction of these projects.

Liaoning's Machinery, Electronics Goods Exports Viewed

SK3003071491 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 29 Mar 91

[Excerpts] It was learned from the provincial conference on the export of machinery and electronics products which was held today that the volume of foreign exchange earnings from the province's export of machinery and electronics products rose from \$46 million in 1985 to \$432 million in 1990, showing an increase of 840 percent over five years, overfulfilling the export target of \$200 million set in the Seventh Five-Year Plan two years ahead of schedule. Our province has become the state's major province for exporting machinery and electronics products. Over the past three years, among the province's exported machinery and electronics products, the export of technology intensive products with high additional value increased fairly rapidly.

Statistics showed that last year the whole province's export volume of transport-related machines, instruments, machinery equipment and transport products totalled \$260 million, and the ratio of these products to the province's total export volume of machinery and electronics products rose from 35.8 percent at the end of the Sixth Five-Year Plan period to 61.2 percent. More than 500 varieties of machinery and electronics products of the province were exported. In addition, a batch of major export products were produced, ranging from machine tools to vehicles and televisions. This has manifested the distinctive industrial features and industrial superiority of our province. [passage omitted]

Vice Governor Wen Shizhen attended today's conference and gave a speech, calling for continued efforts to promote the export of machinery and electronics products and to ensure the fulfillment of the whole province's export plan. He stressed: In the future, we should strive to readjust the product mix, try by all possible means to raise the economic efficiency of export products, establish special loans for carrying out technical transformation of machinery and electronics products, pay attention to mobilizing and displaying the functional role of departments concerned, and exert joint efforts to push our province's export of machinery and electronics products to a higher stage.

Inner Mongolia To Establish 3 Nonferrous Metal Bases

OW2903181091 Beijing XINHUA in English 1530 GMT 29 Mar 91

[Text] Hohhot, March 29 (XINHUA)—Northwest China's Inner Mongolia Autonomous Region is preparing to construct three nonferrous metal bases.

The region's reserves of zinc rank second in the country, while lead reserves rank third. The region's reserves of copper, gold, silver, tungsten and a number of other nonferrous metals also rank high.

Thus far seven large nonferrous metal ore deposits have been discovered. Surveys have shown that the deposits have more than 1,000 workable areas.

The three bases will be located in Chifeng City, Bayannur League (prefecture), and Hulun Buir League.

Chifeng city is known to have the largest reserves of zinc and lead ore in north China, while the Bayannur League is rich in copper, lead and zinc, and the Hulun Buir League has abundant reserves of silver, molybdenum, as well as ore containing zinc, lead and silver.

Preparatory work for the construction of the bases is now underway.

Hebei Steel Plant Increased Output During Previous Period

OW3003184091 Beijing XINHUA in English 1500 GMT 30 Mar 91

[Text] Shijiazhuang, March 30 (XINHUA)—Statistics show that the Chengde Steel Plant in north China's Hebei Province produced over 300,000 tons of steel annually during the Seventh Five-Year Plan period (1986-1990).

The increased output is attributed to the plant's successful implementation of technical renovation.

The plant, which was a key project during the state First Five-Year Plan period (1953-1957), is known for its access to an abundant supply of sefstromite. Total proven reserves of the resource are estimated at over 300 million tons.

In an effort to take full advantage of its supply of rich mineral resources, the plant has spent 490 million yuan since 1984 to import advanced technology and equipment.

The plant has also revitalized the Heishan Iron Mine, constructed a 50 square meter sintering machine and a 300 cubic meter furnace, as well as a number of other auxiliary facilities.

The plant's annual production includes 1.3 million tons of ore, 360,000 tons of pig iron, 300,000 tons of steel, and 250,000 tons of rolled steel, and 20,000 tons of vanadium cinder.

The screw reinforcing bars manufactured by the plant are sold on the world market and produce annual earnings of over 36 million U.S. dollars.

Iron, Steel Production Grows Steadily*OW0204193091 Beijing XINHUA in English
1535 GMT 2 Apr 91*

[Text] Beijing, April 2 (XINHUA)—China's steel output in the first three months of this year reached 16.48 million tons, an increase of 5.2 percent over the figure for the same period of last year, according to the Ministry of the Metallurgical Industry.

The outputs of pig iron and rolled steel in the first quarter were 15.67 million tons and 12.67 million tons, respectively, up by 10.01 percent and 2.39 percent over the same period of last year.

A ministry official said that the structure of iron and steel products tends toward rationalization and coordination. The increase of output of iron concentrate is larger than that of pig iron, and the increase of output of pig iron is larger than that of steel.

He said that improvement has also been shown in varieties of rolled steel. In the first two months this year, the output of alloy steel of key enterprises increased by 6.63 percent, and the output of low-alloy steel rose by 22.52 percent.

However, the official said, problems still exist. To realize the goal of producing 72 million tons of steel by 1995, the last year of the Eighth Five-Year Plan period, China's steel industry will put emphasis on adjusting product mix, improving quality and increasing economic returns.

Guangzhou Continues Construction of Technology Zone*OW0504090991 Beijing XINHUA in English
0834 GMT 5 Apr 91*

[Text] Guangzhou, April 5 (XINHUA)—Large-scale construction efforts have been carried out at the Tianhe Hi-Tech and New Technology Development Zone in Guangzhou, capital of south China's Guangdong Province.

The Guangzhou City Government recently held a press conference to outline development progress in the zone.

Development plans for the Tianhe Zone were approved by the State Council in 1988. Since that time a number of institutes and science academies, as well as enterprises from Beijing, Shanghai, Xian, Xinjiang, Hainan, Shenzhen, Zhuhai and Guangzhou have located their operations in the zone.

Following completion of first phase construction of the zone's science and technology street in June 1989, the technology market had recorded a business volume of over 210 million yuan (40 million U.S. dollars) by the end of 1990. Included in that figure was 1.1 million yuan from sales of industrial products and 5.4 million yuan from technology sales.

The zone has developed more than 140 high and new technology projects which are now ready for marketing.

The zone's rapid development has also attracted increased overseas funds. It has approved the establishment of six foreign-funded projects involving over 36 million U.S. dollars.

A total of 50 million yuan (10 million U.S. dollars) in domestic funds have been pledged for first phase construction of the zone's industrial area which will cover 270,000 square meters.

Shanghai's First Quarter Industrial Production Up*OW0504041191 Beijing XINHUA in English
0257 GMT 5 Apr 91*

[Text] Shanghai, April 5 (XINHUA)—Shanghai, China's leading industrial center, generated an industrial output value of over 44.24 billion yuan during the first quarter of 1991, up 11.9 percent over last year's same period.

A recently released statistical report shows that the municipal industrial production has entered a stage of steady development.

Shanghai's daily production output exceeded 525 million yuan last month, up 3.7 percent compared to January.

A municipal official in charge of industry attributed the good results to the efforts of large and medium-sized enterprises to upgrade themselves, and to an enhanced sense of competition.

These enterprises generated an output value of over 27.33 billion yuan in the first three months of this year, up 11.2 percent over the same period in 1990. The output value of these enterprises alone accounted some 60 percent of the city's gross industrial output.

CONSTRUCTION**Ministry of Construction To Upgrade Urban Housing***HK1603030091 Beijing CHINA DAILY in English
16 Mar 91 p 3*

[By staff reporter Li Hong]

[Text] More than 40 per cent of urban housing, and an even larger proportion of rural housing is not fit for habitation, according to sources from the Ministry of Construction.

Public complaints about uncomfortable living conditions in cities, and injuries caused by houses that collapse in rural areas have now become commonplace.

Cities like Beijing and Shanghai are so troubled with declining housing quality, that the municipal governments have recently decided to expose and punish housing builders or contractors guilty of doing poor work.

It is time to crack down on them, said Deputy Construction Minister Tang Qinglian, because the government has vowed to improve people's living conditions by investing more in urban housing construction.

Substandard construction is said to have shortened the life expectancy and to have become an increasing danger for their dwellers.

The ministry's rough statistics put the total of "outmoded and unsafe houses" at more than 350 million square metres, said the sources.

Each year the country has to spend more than six billion yuan to repair houses, which makes up 20 percent of the State's total investment in urban commercial housing construction.

A recent investigation by the State Technological Supervision Bureau in eight coastal cities of Dalian, Qinhua-
ngdao, Qingdao, Lianyungang, Ningbo, Xiamen, Shen-
zhen and Shantou revealed that only 60 percent of commercial housing, built by local construction compa-
nies, is up to State standards.

As many as 32 dwellings out of the 80 checked had problems such as water leakage, electricity shortages, and problems with doors and windows.

Ministry officials said that companies should be blamed for the low housing quality if they did not comply with original designs as worked out by the architects and sought only economic benefits rather than thinking of the residents.

Poor quality building materials also account for housing problems, said ministry officials. A number of rural township enterprises are making poor-quality bricks, glass and even elevators.

Official surveys have found out that only half of the country's 100-odd lift manufacturers make qualified products.

Beijing Checks Illegal Construction, Land Occupation

OW2203144291 Beijing Domestic Service in Mandarin 1030 GMT 21 Mar 91

[From the "National Hookup" program]

[Text] The Beijing Municipal Government has cracked down relentlessly on illegal construction work in the past four years. As a result, illegal land occupation and housing construction, and vandalizing of cultural relics and historic sites have been put under control.

In the past, illegal land occupation and housing construction were commonplace in Beijing. The municipal authorities tore down illegal buildings every year, but new illegal buildings continued to come up. Since 1984, the municipal authorities have strictly enforced the law, have dared to tackle tough problems, and have relentlessly cracked down on illegal construction work. All districts and counties have included work in this respect in their government work, and have established networks at the district-county, neighborhood, and district-committee levels for the inspection and management of illegal construction work. During the past four years, these districts and counties have duly discovered and settled more than 500 cases involving illegal land occupation and construction work, and have straightened out more than 25,000 pending cases of similar nature. The Beijing Municipal authorities have taken comprehensive measures to deal with problems in separating strips on both sides of important streets and major roads, in scenic and tourist areas, in cultural relics protection areas, and in residential areas. As a result, now fewer people refuse to vacate lands they have illegally occupied for a long time, and fewer people illegally put up temporary buildings for permanent use.

Lately, director of the Beijing Municipal Planning Bureau and responsible persons of 18 districts and counties signed responsibility agreements on cracking down on illegal construction work, and decided to further reduce cases of illegal land occupation and construction work this year.

Heilongjiang Develops Plan for Construction Projects

SK2203025791 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 21 Mar 91

[Text] The provincial planning and construction commissions today issued the plan for the capital construction front of the province to carry out the activities for quality, variety and efficiency for the year. Their purpose is to solve the problems of budget overextension, over-extension of the construction periods, poor quality and low efficiency existing in the capital construction front of our province.

Last year, less than one-third of the construction projects of the province reached the standards for good quality construction, and many projects had the common diseases that affected the safety and functions of the construction. Housing construction was particularly slipshod, and waste of materials was serious. In view of this, the plan worked out by the provincial planning and construction commissions stipulates: This year's construction investment should be strictly controlled within the quotas set by the state and the country. For the key construction projects of the province that should go into operation and reach the designed capacity in this year, efforts should be made to ensure that they do so, and appraisals of them should be organized according to the capital construction procedures. Regarding the new large

and medium-sized projects, we should apply the bidding system to their investment, design and construction. We should pay attention to the quality of housing construction and, especially, to the quality control of housing developing companies, raise the construction quality of small residential areas, and make great effort to eliminate outdated plans and designs. Large and medium-sized cities should work out the architectural styles and plans with their own characteristics.

The plan also stipulates: This year, the average cost of the productive projects of the province should be reduced by two percent from that of last year, and the average construction period should be shortened by 15 days, and the projects that reach the standards for good quality construction should account for 40 percent. We should eliminate the projects that fail to reach standards, and those that cause serious danger due to poor quality, and create 100 provincial-level good-quality projects.

FOREIGN TRADE, INVESTMENT

Policy Options for International Payments

91CE0317A Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 6, 20 Dec 90 pp 12-18

[Article by Yu Lixin (0060 4539 2450): "Principles of Balancing International Payments and Regulatory Policy Options"]

[Excerpts] Since China tentatively set up an international payments management system in 1980, there seems to have been little argument within the theoretical community and in functional departments in the field about the objective of international payments management, namely, using all kinds of comprehensive regulatory measures and policies to balance the nation's international payments. However, if we examine this more closely, we will discover that both the different schools of thought overseas on international payments and China's own experience in managing international payments in the past decade of reform and openness have broadened the research on the balancing of international payments. Accordingly, it is imperative that we examine the principles of balancing international payments and regulatory policy options in future in light of China's national circumstances. [passage omitted]

2. Regulating China's International Payments: Policy Options

International payments are an organic component of a nation's overall economy. Regulating international payments inevitably has a direct impact on the domestic economy. And domestic economic growth often affects international payments. The two do conflict with each other somewhat. In practical terms, it is an uphill battle to reconcile the two.

1) Obstacles to Regulating International Payments

Since conditions vary from country to country, they encounter dissimilar difficulties in regulating their international payments. As far as China is concerned, these are the major obstacles:

Obstacle One: In the final analysis the imbalance in China's international payments is caused by domestic economic imbalances. In the case of China, when we say balancing the domestic economy, we essentially mean balancing the aggregate social demand with the aggregate social supply, controlling the scale of capital construction investment, limiting the unhealthy growth of consumption funds, and checking inflation so as to keep prices stable and promote sustained, steady, and coordinated economic growth. And when we say balancing international payments, since regular trade and nontrade payments are currently the mainstay of international payments, whether or not we have a trade balance or nontrade balance helps determine international payments balance. What epitomizes the imbalance in China's international payments is the fact that at a time when its foreign debt is rising rapidly, it has been running up deficits persistently in its regular trade and overall payments. Thus the difficulty of regulating China's international payments is that such payments have not been in balance due to the imbalances in the national economy as a whole, which, in turn, were the accumulate result of economic overheating over a number of years. It will take a long time to cure economic overheating. Correspondingly, adjusting the international payments imbalance will also be a lengthy process, not something to be accomplished overnight.

Obstacle Two: To a large extent, the overall retrenchment policy now in effect in China is incompatible with the international payments regulatory policy. To prevent stubbornly unfavorable international payments under regular items, which will make it difficult for the nation to repay its foreign debt, we must ensure a steady growth in exports and projects using foreign capital. Economic belt-tightening across the board, however, has slowed economic growth in every sector, thereby hampering the normal activities and operations of foreign economic relations sectors and enterprises, as demonstrated by extensive fund shortages in enterprises with foreign economic dealings, raw materials and energy shortages, and the large number of foreign exchange bank loans long past due. Moreover, the goal of the retrenchment policy is to narrow the gap between aggregate supply and aggregate demand and check inflation. However, adjusting renminbi exchange rates, encouraging exports through administrative methods, limiting imports, and other measures to regulate international payments often widen the supply-demand gap on the domestic market and heighten the risk of inflation. This is because excessive exports would mean reduced supplies on the domestic market, which would have to compete with exporters for merchandise sources. The downward adjustment of exchange rates means enterprises would have to pay more in renminbi for the same amount of imported commodities, leading to a larger money supply

and higher prices for some goods. How to resolve this dilemma is the second obstacle in regulating China's international payments.

Obstacle Three: At present China's exports and imports supply-demand is fairly inelastic. Relying on currency devaluation alone to improve international payments would not produce the expected results. Right now demand is excessive, the industrial structure is not sound, and there is a strong tendency toward importing marginal products. Some commodities are "musts" on the import list, such as cotton, grain, steel, and chemical fertilizers, while export supply elasticity is low owing to unsound market mechanisms at home and the fact that capital goods cannot circulate freely. Therefore, we cannot expect too much from currency devaluation as a means of regulating international payments.

Obstacle Four: Much of China's foreign debt will become due in the early 1990's. If the regular items deficit and the peak loan repayment period coexist for a long time, then it would vastly complicate any effort to balance the nation's international payments.

2. Criteria for Selecting an International Payments Regulatory Policy

Generally speaking, there are two ways to reduce the international payments imbalance to zero. One, adopt a regulatory policy to induce coordinated changes in imports and exports, both commodity and labor, and the inflow and outflow of capital. Two, use short-term borrowing to cover or close the international payments gap.

Needless to say, the two alternatives exact different prices.

Depending on how they work, regulatory policies can be divided into two groups. The first group consists of expenditure-shifting policies, such as policies that adjust exchange rates, offer import and export subsidies, and modify tariffs and quotas. The idea is to change the relative prices between imports and exports so that exports become more competitive in the world, leading to shifts in domestic spending among exports and imports and between trade commodities and non-trade commodities. As a result, exports will rise, imports will drop, and international payments will improve. The other group consists of expenditure-changing policies, such as expansionary or austere fiscal, monetary, and income policies. The goal of this group of policies is to increase or decrease a nation's total spending in order to stimulate or curb aggregate demand, thereby producing corresponding changes in the demand for imports and exports. If a nation adopts an austere fiscal and monetary policy when it is running up a deficit in its international payments and faces serious inflation at home, then belt-tightening will work doubly effectively. On the other hand, if there is high unemployment but no inflation, then austerity will work in closing the gap in the international payments but will also make the recession in the macroeconomy that much worse.

There are similar problems about currency devaluation. After a nation has devalued its currency, its exports will become less expensive and its imports more expensive. This means that it has to pay more for the same amount of imported commodities. That is, its terms of trade will worsen following devaluation. An even more important side effect of currency devaluation is intensified inflationary pressures. After currency devaluation, exports increase while imports decrease, thereby reducing total domestic supply. In addition, since imported capital goods are now more expensive, costs go up, pushing up the prices of a string of related products. So we can see that while regulatory policies balance the international payments, they may cause unemployment, inflation, worsening terms of trade, slow-down in economic growth, and other side effects.

Now let us look at short-term borrowing as a tool to regulate international payments. Domestic short-term borrowing equips a nation with a specified amount of international reserves to facilitate international payments, but only at a price. This is because international reserves represent a set amount of real resources. By setting aside a certain amount of international reserves, the nation effectively gives up the right to use such resources. The greater the reserves, the larger the amount of actual resources idled. Same with external short-term borrowing. Raising foreign capital may cover the imbalance for a while, but there will be another round of borrowing when the loans are due. Moreover, one has to pay a price in the form of interest. Taking out short-term loans continuously not only constitutes a heavy burden, but is fraught with risk and uncertainty, possibly leading to a worsening in international payments.

3. Regulating China's International Payments: Policy Options

To make the regulation of China's international payments a highly effective regulatory process, that is, to minimize unbalanced economic costs, the policy we choose to regulate our international payments must satisfy these two preconditions: 1) Make full use of idle resources in the course of regulation. If output losses are unavoidable to some extent, then at least shorten the time when such losses occur to a minimum. 2) Reduce to the greatest extent possible the friction losses resulting from the redistribution of domestic economic resources, which, in turn, is caused by regulatory measures. Short-term imbalance is caused by such fortuitous circumstances as sudden but temporary shifts in the political and economic situation, natural disasters, and seasonal commercial activities, and often take the form of a deficit in capital items. Ordinarily this kind of deficit can be covered through short-term borrowing, without resorting to regulatory policies. Long-term imbalances, on the other hand, are caused by lasting circumstances, such as incompatibility between a nation's economic structure and the state of the world's economy, traditional exports finally losing ground on the world market, a gross over-dependence on exports for economic growth, so on and so forth. Under these circumstances,

short-term borrowing provides no fundamental solution as it is constrained by the amount of international payments reserves and methods of international payments. The only reliable solution is a regulatory policy.

In light of the crude analysis above and in conjunction with the actual state of China's international payments in recent years, we should choose a regulatory policy for China's international payments and implement it based on these considerations:

First, take the perspective of comprehensive balanced national economic development and draw up a medium- and long-term international payments balancing plan, taking into account the short-term plan to improve the economic environment and rectify the economic order. In the short run, we should sort out the relationship between the reduction of the overall size of the economy with the adjustment of the economic structure and ensure that the economy expand at a proper pace even as we improve the economic environment and rectify the economic order. After several rounds of adjustment, we still have not straightened out the relationship between belt-tightening and the adjustment of the economic structure, and between economic rectification and maintaining economic growth at a sensible pace. Hence the national economy has found itself caught in a vicious circle of deregulation followed by chaos, which, in turn, was followed by renewed control and stagnation. That must be avoided. Focus more on the adjustment of the industrial structure. Cut back on processing industries that are low in efficiency, high on consumption, and turn out products that do not sell at home or abroad. Introduce an industrial policy that favors some industries over others. Support sectors with foreign economic dealings with such things as funds, materials, technology, and manpower. Develop industries that sell their output overseas. Avoid "after-the-fact" regulation in international payments, that is, looking for a solution after the imbalance has occurred, which was what we did in the past. It put us in a passive situation. We should exploit the superiority of the planned economy and plan international payments in a comprehensive way based on the objective need, process, and long-term vision of the national economy. Draw up a medium- and long-range international payments balancing plan. Plug any loopholes quickly by supervising and examining the way the plan is being carried out. Prevention is better than cure.

Second, proceed from the fact that China's international payments imbalance is structural in nature. Go all out to adjust the foreign trade policy and make the adjustment of the import and export mixes the focus of our drive to eliminate the trade deficit. In other words, we should adjust the export mix by increasing the exports of multiple processed electrical machinery products with high added value as a share of the nation's total exports. Develop the export of primary products as appropriate. (Limit the exports of nonrenewable resources but expand those of renewable resources.) Improve the quality of textile and light industrial products, making them more upscale and increasing their design and variety. Make an

effort to break into markets for such high-tech products as space flight equipment and computer software. Adjust the import mix. Drastically reduce the imports of domestic electrical appliances and ordinary electrical machinery products. Severely limit the import of cars, consumer goods at the high end of the market, and cosmetics. The imports of other capital goods should also be prioritized in order of importance and urgency. Unplanned and duplicated imports must be stamped out.

Third, review and adjust the policy of foreign capital utilization to turn it into an effective tool of regulating international payments. Reviewing and adjusting the policy of foreign capital utilization can be interpreted at three levels. At the first level, review and adjust the direction of foreign investment. Clearly, steering foreign capital into the realm of production is a higher priority than attracting foreign capital to non-production activities. Judging from international experience, it is clear that how foreign capital is utilized significantly affects the regulation of international payments. 1) If foreign capital is used to increase the output of consumer goods at home (the Brazil model), both economic growth and the output of consumer goods will expand in the short run. In the long haul, though, it will expedite the maturation of consumption ahead of time and saddle the country with mounting foreign debt. 2) Concentrate foreign capital on "bottleneck industries" and import-substituting industries (the Indian model). This helps expedite the development of the national economy overall, but the newly increased production capacity in the end will be swallowed up by the inefficient domestic economy. Meanwhile, the nation's ability to export and pay off foreign debt cannot increase rapidly. 3) Invest foreign capital mainly in export industries (the South Korean model). This model quickly eliminates the trade deficit, significantly increases foreign exchange reserves, and generates fast economic growth. Meanwhile the scale of foreign investment expands steadily and the debt burden becomes lighter and lighter. It can thus be seen that in the interest of improving the international payments in the future, our drive to attract foreign capital should favor export-oriented industries primarily and "bottleneck" and import-substituting industries secondarily.

At the second level, reassess what would be a reasonable foreign investment ceiling. The rule of thumb is that the debt ratio should range between 10 and 20 percent. If it is lower than 10 percent, it will do little to boost economic growth. If it exceeds 20 percent, it will be too high; the marginal utility of foreign capital will decline and China will be burdened with too much foreign debt. In 1988, China's actual debt ratio (total debt as a percentage of GNP) was 9 percent. The scale of foreign capital utilization may be adjusted properly in the future depending on national capability in order to help improve international payments.

At the third level, review and adjust the mix of foreign investment. Right now commercial loans make up a

large portion of foreign capital, while only a small share comes from funding organizations and foreign governments and an even smaller portion consists of direct investment by foreign firms. This situation must be changed. In the future, we should try to attract more direct foreign investment and obtain more loans from funding organizations and foreign governments. Use commercial loans cautiously.

Fourth, work hard to improve the domestic economic environment. Create conditions. Take advantage of the maturing periods of international short-term loans and, with present international reserves as backup, "pay off old loans with new loans." Honor more loans contracts and give ourselves more room to maneuver as we pay off our debt.

Response to Increases in International Bloc Trading

91CE0318A Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 6, 20 Dec 90 pp 19-26

[Article by Huang Jingbo (7806 7234 3134), affiliated with Zhongshan University's Economics Department: "The Trend of International Trade Bloc Formation and the Advantages of International Bloc Trading"]

[Excerpt] [passage omitted] The internal advantage of international bloc trading lies in the integration of the trading bloc's internal markets. The external advantage is emphatically demonstrated in the integrated nature of the trading bloc's external policies. The trend in international trade bloc formation is an objective trend in the development of the global economy. It is closely linked to several other trends in the global economy, and is also an actual reflection of these other trends. The development of productive forces and the progress of science and technology has led to the emerging trend of internationalization in the global economy. The movement of production, trade, capital, and science and technology across borders has also engendered the demand for integrating the global economy, however this trend of integration has been hampered. The uneven economic development of different countries and changes in the balance of power have resulted in multipolar development of the global economy. The trend towards multipolar development has taken shape in the form of regionalization, with the gaps between the poles manifested as uneven development of the regions. Within different regions, similarities in economic levels, structures, and policies, as well as in political, geographical, and historical-cultural factors, have facilitated the trend of bloc formation for economic development. This trend is demonstrated mainly by the formation of international trading blocs. Amidst these interrelationships, the forces of internationalization and integration and of multipolarization and regionalization have finally reached a temporary balance and harmony through bloc formation.

What policies should we have in response to the trend of international trade bloc formation? Analyses of this trend and of the advantages of bloc trading do not necessarily lead to the conclusion that China must join a trading bloc; we must look at China's actual situation. First, China has its independent and integrated economic system and policy objectives. Joining a trading bloc would mean conceding a certain degree of economic sovereignty, which would at the least affect China's external-trade system and policies, and thereby constrain industrial adjustments and reform of the economic system. Thus, despite some of the advantages that could come with joining a trading bloc, it is necessary to consider the political and social costs if China's position, owing to its low level of economic development, is to be at the bottom of the scheme of the international division of labor. Second, China has a huge market, and thus, except in cases where the trading alliance provides China with an equivalent external market, market integration would not benefit China. That is, the facilitating effects a trading alliance would have on China's exports could not make up for the costs of opening up its market. Third, if the purpose of joining a trading bloc is to expand trade benefits, the practical choice would be to join the Asian-Pacific economic sphere; however, political conditions are not yet ripe. For instance, the problem of the futures of Taiwan, Hong Kong, and Macao has not been completely resolved, there are still political contradictions regarding South Korea and Japan, and there are obstacles in relations with ASEAN [Association of Southeast Asian Nations]: forming an alliance under such circumstances would not be entirely beneficial to China. As the only large socialist power in the bloc, China would have influence based on its market and economic strength, but it would also be at a disadvantage in terms of votes. Finally, from the perspective of the international economic configuration, North America and Western Europe's pressure on and threat to the Asian-Pacific region has not yet developed to the extent that the region must form an alliance. Thus the Asian-Pacific region lacks a motivating force for jointly confronting North America and Western Europe, seeking common ground on major issues while keeping different opinions on minor issues.

On the other hand, however, China must approach the trend in international trade bloc formation with a realistic attitude, and actively develop trade relations with all blocs, because achieving good relations with the blocs means the development of trade relations with a whole series of countries. Therefore, overall, it is necessary to take the initiative in joining economic and trade cooperation at international and regional levels, without necessarily tying oneself to any one bloc. First, since bloc formation depends above all on market integration, China should continue handling the relationship between the domestic and external markets, neither closing the market and the country to international trade, nor opening it up without any restrictions and thus giving up its huge domestic market. The market is an important weight in China's external economic and

trade relations. Second, because of the internal and external advantages of bloc trading, as China maintains its dissociated posture it will encounter some external conditions unfavorable to economic and trade development. However, by acquiring flexibility in how it handles international economic and trade relations, it will be possible to use other means to eliminate the unfavorable impact to some extent. Such means might include bilateral trade agreements, to gain advantages similar to bloc trading; promoting international trade cooperation, to reduce the impact of trading-bloc barriers; international cooperation, to win favorable external conditions for development; and controlling the domestic market, to influence the economic policies of trading partners. Finally, it should be pointed out that China need not completely exclude the possibility of joining a trading bloc. After China has raised its economic level, and would not be at the very bottom of the scheme of the bloc's division of labor; after it has established a market balance with possible allies, and enjoys a favorable balance of costs and benefits; after it has improved political relations with possible allies; and when changes in the configuration of the global economy make it necessary to form a new force to eliminate barriers and confront Western Europe and North America, then joining a trading bloc will be beneficial to China. It would then better utilize the advantages of bloc trading and promote the development of global trade and the establishment of a just, new international economic order by means of bloc pressure and inter-bloc coordination.

LABOR

Labor Ministry Officer on Utilizing Surplus Labor
91CE0315A Beijing JINGJI KEXUE [ECONOMIC
SCIENCE] in Chinese No 6, 20 Dec 90 pp 41-43

[Article by Hua Yingfang (5478 6601 2397): "Reflections on Developing and Utilizing China's 200 Million Surplus Laborers"]

[Text] The development and utilization of labor resources are important factors affecting a country's economic development. China has abundant labor resources, about 600 million people, which accounts for more than 60 percent of the total population. Although a great deal has been done to develop and utilize labor resources, "hidden unemployment" still exists to various degrees in all trades and professions, because labor's aggregate supply has long exceeded aggregate demand. Estimates are that China currently has about 200 million surplus laborers. Therefore, in the present, and for a rather long period in the future, it is important to exploit and utilize China's surplus labor and make sound arrangements for job placement.

I. Transferring Surplus Labor from Agricultural to Nonagricultural Sectors

Moving surplus labor from agricultural to non agricultural sectors is an objective rule of economic development and the general trend in most countries. Before rural reform, microeconomic organizations such as production brigades concealed the real situation of the absolute surplus in the rural labor force. With the increase in agricultural productivity and the implementation of the rural household contract responsibility system, the problem of rural surplus labor has finally manifested itself. According to estimates from relevant departments, currently China's rural surplus labor equals 170 million people, and the figure will increase to 200 million by the year 2000.

It is a general rule of economic development for different countries that when a labor force is separated from agricultural sectors it will move into urban industrial sectors, which will in turn stimulate further improvements in agricultural productivity and the development of large industry. Since China is a country with surplus aggregate labor resources, the contradiction between the supply and demand for surplus labor is acute not only in rural areas, but also in towns and cities. According to estimates, over the next several years labor resources in towns and cities will increase by 7.6 million people annually, and employment pressures will remain high. Therefore, unlike in some industrialized countries, China's rural surplus labor cannot be transferred to urban, industrial sectors. They can only be diverted locally, "leaving the land, not the hometown." Abundant rural surplus labor should be absorbed by developing township enterprises. They should not be allowed to flow blindly into urban areas in large numbers.

The development and utilization of rural surplus labor resources should address mainly the following three issues.

1. Further develop township enterprises and transfer rural surplus labor into local rural industrial and service sectors. According to statistics, by the end of 1988 township enterprises had absorbed 95.45 million rural surplus laborers, accounting for more than half of the rural surplus labor and becoming a major channel through which rural labor is diverted. In some localities, such as in southern Jiangsu, surplus labor has mostly transferred out, resulting in labor shortages in some areas. However, in most areas, less developed areas in particular, township enterprises have developed slowly and the problem of surplus labor remains serious, there is much room for development. In the future, the state should continue to provide support and assistance—through industrial, financial, fiscal, and tax policies—for developing township enterprises. During the period of improvement and rectification township enterprises should be given a way out, and they should be supported.
2. Adopt a large agricultural ideology and promote rural farming, aquatic breeding, and resource development. This will not only supply more farm produce to the state

without competing with industrial products in the market, it will also absorb and employ surplus labor. Since the rural household contract responsibility system was implemented, farming and aquatic breeding have developed to a certain extent, and is an important reason for the sufficient supplies of rural sideline products to the market. In the future the state should make greater efforts to provide special assistance to areas with favorable basic agricultural conditions and with farm fields that have development potential. This will help them exploit and utilize land resources, develop sericulture, fruit products, Chinese medicinal materials, and poultry products, and serve the purpose of exploiting and utilizing rural surplus labor and helping farmers leave poverty behind and become rich. Chinese rural areas are not only the sources of raw materials for agricultural sideline products and natural resources, they are also the sources of rich, exploitable mineral resources, such as coal and limestone. Thus prospects are bright for developing products from exploitable resources, such as coal, cement, and building bricks.

3. Control population growth and promote universal education in rural areas. Family planning in rural areas remains a vulnerable spot. In one or two areas there are still rather serious problems with people exceeding family planning targets and having more than one child per couple; this must capture the greatest attention. Educational activities in rural areas are an important guarantee for improving the quality of the rural labor force. It is also the basic determinant of whether rural surplus labor can be transferred into non-agricultural sectors. China has 800 million peasants; if the issue of rural education is ignored, there is no way modernization can be discussed.

II. Improving the Employment Situation in Towns and Cities

Over the last 10 years the newly employed population in China's towns and cities totalled more than 80 million people, or half of the existing employed population of 144 million. The unemployment rate for urban youths dropped from 5.4 percent in 1979 to 2 percent in 1988, thus markedly alleviating the problem of urban unemployment. At present, towns and cities face a new peak in employment. At the end of last year 3 million unemployed people still needed job placement. It is estimated that about another 5 million people will become unemployed this year, and thus there will be a total of 8 million unemployed people needing employment. Moreover, according to estimates from relevant departments, in the next several years unemployment pressures in Chinese towns and cities will continue to be high, with an the number of unemployed who need job placement growing by about 7.6 million people annually. Presently the major difficulties in arranging employment include: First, a tight employment environment. The labor market faces a general climate of improvement and rectification. Social production's demand for labor is enormously reduced. Not only do state-owned enterprises have a decreased ability to absorb labor, but also

the collective and private economies are sluggish and have no vacancies for the unemployed. In particular, the recent large-scale reduction in the number of the self-employed has had a certain impact on arrangements for labor employment. Second, the "sense of a predetermined career choice" of youths awaiting employment has led to a situation where there are "either too many people for few jobs or too many jobs for few people." Third, the large flow of rural labor into urban areas for industrial employment has dealt a blow to towns and cities' employment situation. Fourth, there are no commensurate support policies for solving unemployment problems. Because of the implementation of the double tightening policy, it is difficult to introduce any new preferential policies, and some earlier preferential policies are being cut back. The government's expenses for creating employment are diminishing yearly.

In view of the situation, it seems that present and future employment efforts may not fundamentally solve the problem if we merely rely on the previous method of having old enterprises add people or new enterprises place the unemployed. We must break away from the existing pattern. In addition to continuing to implement the "low wage, high employment" policy, we should consider reforming the existing labor shift system and gradually putting into place a 40-hour work week. This would create about 2,000 positions without any additional investment. If some enterprises increase the number of their shifts, they could generate even more positions. At the same time, we should propose the practice of phased employment for women in order to release positions to the largest extent possible to the unemployed and surplus personnel. In addition, we should fully utilize labor exports. Presently China's labor exports not only lag behind those of developed countries, but also behind those of many developing, neighboring countries such as Pakistan and India. For instance, Pakistan has sent 3 million laborers abroad, and India has sent 1.2 million. China, on the other hand, sent only 300,000 people over the 10-year period beginning in 1979.

Moreover, we should continue carrying out the "three-in-one" employment policy in order to fully utilize the job placement roles of the collective, individual, and private economies. We should actively nurture and develop a new employment mechanism that combines planned employment and market employment under the directions of planning so as to promote the rational movement of labor and achieve the optimal match between labor and the means of production. The issue of labor employment should be discussed together with the reform of labor system, which must adjust employment policies and improve employment structures. The mentality towards employment should be changed, with a view to achieving the self-transformation of the principal channels of employment. Therefore, the following work agenda must be well implemented.

1. Make overall arrangements for both the urban and rural labor force, restrict the blind flow of rural labor

into the cities, and set up a registration and licensing system for rural laborers entering the cities, in order to control the scale and speed of this movement.

2. Change the mentality towards employment, and get rid of the mentality that places undue hopes for employment on state-owned enterprises. Reverse the ratio between state and non-state employment from 6:4 to 4:6, so as to expand the employment capacity of the collective, individual, and private economies and gradually make them the principal channels of employment.

3. Establish a labor employment training system, and practice the principle of "training first, employment second." Insist on directing training towards the needs of employment, so as to closely link the training and employment systems and form a training/employment system that coordinates unemployment management, pre-employment training, and selection through examinations.

4. Further promote labor employment service enterprises. Labor service enterprises are a new type of social labor organization for implementing state employment policies. Unlike ordinary businesses, their basic task is to provide overall labor employment services in order to create conditions for achieving the market regulation and social management of the labor force. By the end of 1989, various labor employment enterprises had absorbed 8.49 million laborers, acting as a reservoir. The continued implementation of overall planning, legal protection, and policy support for developing labor employment service enterprises is a necessary choice.

5. Gradually expand the scope of unemployment insurance for employees, and set up unemployment insurance for employees of state, collective, foreign-invested, private, and township enterprises, as well as for labor employment service enterprises.

III. Appropriately Resolving Enterprises' Problem of Surplus Personnel

Due to the sharp contradiction caused by China's surplus labor resources and the long-standing practice of the state's monopoly on job placement, surplus personnel have always been an acute problem for enterprises. According to estimates based on a sample survey, surplus personnel account for about 15 percent of all employees in enterprises; there are about 15 million surplus personnel in the whole country. Sound arrangements to replace these people would help increase labor productivity and economic efficiency and speed up technological progress. Since there is a prevailing surplus of labor resources, and since it is not likely to change in the short run, it is impossible to divert a large number of surplus personnel to society given the incompleteness of the present social security system and the difficulties of getting reemployed. Surplus personnel could primarily only be absorbed in various channels within an enterprise. In the future, surplus personnel can be gradually introduced into society for reemployment only through the deepening of labor system reform and the gradual

formation and improvement of social security system. However, since it is impossible to change the labor surplus situation in the short run, it is crucial to try every means of creating job opportunities. Therefore, the problem of surplus personnel in enterprises should be solved in two steps. The short-term guiding principle should be to "dig the canal before releasing the water," relying on the strength of enterprises themselves to place their surpluses through multiple channels. At the same time, we should gradually expand the scope of unemployment insurance and old-age pensions, perfect the labor market mechanism, and create conditions for placing surplus personnel in society.

The first step is to place surplus personnel within enterprises. The main approaches that should be adopted are as follows: First, enterprises should set up productive and service-type economic entities that have independent business accounting and assume sole responsibility for their profits and losses. The state should give appropriate preferential treatment to these enterprises through fiscal, tax, and credit policies. By expanding their scope, enterprises could increase employment without sacrificing efficiency. In addition, surplus personnel could be organized to provide foreign contractual services. Second, technical training could be arranged. Third, surplus personnel should be permitted to resign and seek employment themselves or through service exchanges with township enterprises and other work units. Fourth, preferential treatment should be given to the elderly and the frail, who may be permitted to take early retirement or long-term leave and still receive a living allowance in accordance with regulations.

The second step is to permit enterprises to dismiss surplus personnel, who will use the market mechanism and achieve social placement through reemployment.

In order to provide a fundamental solution to the problem of surplus personnel, the constraint requiring enterprises to place personnel internally should be discarded, and enterprises should be permitted to dismiss surplus personnel. Channeling surplus personnel into society means that some people will lose jobs. As a matter of fact, only by recognizing the existence of the unemployment phenomenon, and fully utilizing the unemployment mechanism and the role of the labor market in accommodating social labor force can we truly enliven the present lifetime-employment system and solve the perplexing problem of surplus personnel.

The key to the materialization of a labor market that accommodates social labor lies in reforming the employment system. Popularizing the labor contract system, and specifying, through labor contracts, the relationship between employers and employees—their respective responsibilities, rights, and interests—would in certain situations be conducive to realizing the two-way choices of enterprises and employees. Next, it is necessary to establish a sound social security system and expand unemployment insurance and old-age pensions to include all employees. Furthermore, it is necessary to

gradually liberalize the labor and service market and utilize labor departments for career training and job referrals, so as to provide training and reemployment opportunities for surplus personnel dismissed by enterprises.

In addition, creating more job opportunities by promoting small and medium-sized enterprises, township enterprises, the individual and private economies, and the service industry would help absorb and employ surplus personnel and urban youths waiting for employment.

Concern Over Employment Grows

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[LIAOWANG WEEKLY] in Chinese No 52,
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[Commentary article by Fang Zheng (2455 2398):
"Great Emphasis Should Be Given to the Employment Problem"]

[Text] Recently employment has again become a serious problem in China's large and medium-sized cities. This is reflected in two articles, "The Mayor of Baotou and Youths Awaiting Employment" and "A Bureau Director's Personal Account."

China is a country with a huge population. The problems of a population base that is too large and a population growth rate that is too fast are inevitably transformed into a series of other problems, such as food, clothing, transportation, and employment. Experts predict that between 1991 and 2000 the increase in the total number of youths of employable age will be 93 million people, with an average annual increase of about 9.3 million. In other words, even if we do not take into account the problem of the increase in the rural employable population, we will need to create 2.8 million new jobs annually to meet the demand for jobs in urban areas. Faced with these problems, concerned experts point out that the employment problem will exist in China for a long period.

As far as the present situation is concerned, we face some new contradictions. On the one hand, along with the arrival of the peak of the third baby boom (the age for employment and for bearing one's first child are almost identical), the annual increase in the number of new laborers is also entering a peak period. On the other hand, because enterprise reforms are gradually deepening and the national economy is in a period of adjustment, employment pressure is increasing correspondingly in cities and towns, especially in large and medium-sized cities. This requires that we place much emphasis on resolving the employment problem.

Employment is a long-standing problem in China. In solving this problem, we can neither carry on the movement sending educated youth down to the countryside, nor stay with the old method where "the state handles all job assignments." We can resolve the employment

problem in China in no other way than promoting reform and finding new production opportunities.

Of course, urban youths and college and vocational school graduates also need to "reform" their job-selecting attitudes. Currently in China's large and medium-sized cities there are many people who do not have jobs, and the rate of those awaiting employment is rising yearly. Yet on the other hand there is also the situation in which many jobs are open, and the number of professions which can barely hire new people also constantly increases. Take Beijing, for example: in job areas such as construction, building material production, coal mining, and sanitation work, units can barely hire new employees. Some job areas—such as textiles, machine processing, and public transportation—that could hire new employees comparatively easily in the past now have difficulty hiring new people. In view of this, unrealistic attitudes and high job anticipation urgently need to be reversed. In short, while we look at the difficulties in resolving employment contradictions, we must also see that there is hope. This hope is the constant development of Chinese economic and cultural undertakings and constant reform of the employment and personnel system.

It is unrealistic, as well as impossible, to expect that China will not have the phenomenon of those awaiting employment, or that in every Chinese city every person who has reached the age of employment can find a job. The situation in which a few people temporarily cannot find jobs will exist over a long period. However this should not be used to psychologically justify not seriously solving the problem of those awaiting employment when we see it. On the contrary, because the problem exists, there is a greater need for leaders at all levels to pay close and constant attention to it and work unremittingly to solve it.

If we ignore it or deal with it improperly, not only will the employment problem directly affect the daily lives of thousands upon thousands of households, it will also not be conducive to society's long-term stability or to sustained economic development.

Certainly articles such as "The Mayor of Baotou and Youths Awaiting Employment" and "A Bureau Director's Personal Account" cannot provide a panacea or let us relax our efforts against the employment contradiction. However, we can use some of the two cities' experiences. For example, the director of Changchun's Personnel Bureau admits there are difficulties, and he tells the public the truth through the news media. While seeking supervision by the masses, he also finds mutual understanding. The mayor of Baotou consults the masses for solutions. According to the spirit of "seeking truth from facts," he has resolved the problem of placing those youths awaiting employment who are from the poorest families. He is praised by Baotou residents for doing this. As long as leaders at all levels pay close attention to this problem, the difficulties urban youths have in finding jobs can be gradually resolved.

POPULATION

SPC Staffer Discusses Population Policy

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[POPULATION AND ECONOMICS] in Chinese No 6,
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[Article by Xi Jianwei (6741 1696 0251), State Planning Commission, General Department of National Economy: "Eighth Five-Year Plan Population Plan: Situation, Policy and Reform"]

[Text] The Eighth Five-Year Plan period 1991-1995 is an important period for the country's national economic and social development, and it is also an important period in the country's population increase. Population increase during the Eighth Five-Year Plan period has a direct bearing on whether the second step strategic goals for the country's economic development can be realized by the end of the present century, and to what extent they can be realized. The Eighth Five-Year Plan population plan that we are now in the process of drawing up is the fourth such five-year population plans that the country has formally devised. A conscious review of the lessons of experience, scientifically analyzing the economic, social, and population situations to be faced during the next five years, and clearly proposing the tasks and goals for controlling population growth during the Eighth Five-Year Plan period is an important task for us at the present time.

During the Sixth Five-Year Plan period, the country's population increased by 63.39 million. At the end of 1985, the country's population totaled 1,050,440,000, which was approximately 10 million fewer people than the 1.06 billion target set in the Sixth-Year Plan that the Fifth Session of the Fifth NPC [National People's Congress] passed. Both the national population birth rate and the natural rate of increase were also controlled within plan requirements.

During the first four years of the Seventh Five-Year Plan, a new upturn occurred in national population growth. During the four-year period from 1986 through 1989, the country's total population increased by 61.56 million in an average more than 15 million annual increase, or 2.5 million more than the average annual increase of 12.68 million during the Sixth Five-Year Plan. The annual per capita birth rate was more than 20 per 1,000, and the natural rate of increase was greater than 1.4 percent. Preliminary estimates call for a total nationwide population of approximately 1.127 billion by the end of 1990. This will exceed the target of 1.113 billion set in the Seventh Five-Year Plan that the fourth meeting of the Sixth NPC passed for an increase of approximately 14 million people over the original plan. Both the population birth rate and the natural rate of increase norms will exceed plan.

Results achieved in implementation of the sixth and seventh five-year plans form the basis for our preparation of the Eighth Five-Year Plan population plan.

1. Situation Faced in Population Growth During the Eighth Five-Year Plan Period

Analysis of the peculiarities of China's population growth during the Eighth Five-Year Plan period, recognizing the situation in population growth, and simultaneously making appropriate judgments, insofar as possible, about changes in the overall environment for controlling population growth was a basic prerequisite for our scientific formulation of a population plan. The main features of the situation we face during the Eighth Five-Year Plan are as follows:

1. The second population birth peak following founding of the PRC continues to be the main element influencing population growth. The population born during this second birth peak, which went on for 14 years from 1962 to 1975, will continue to become of marriage and childbearing age during the Eighth Five-Year Plan period. Analysis of pertinent data from the third nationwide census and from nationwide random samplings during recent years show the female childbearing peak value age has advanced from ages 25 to 29 in 1980 to ages 20 to 24, the childbearing peak value age gradually moving forward from age 25 to aged 23. This change occurs largely during the birth peak effect period, thus making the period of peak childbearing effect fairly concentrated, accentuating the degree of upturn in population growth. It also relatively shortens the birth peak effect time, thus advancing the time when the effect ends. During the Eighth Five-Year Plan, the country's population growth will be in the final stage of the second population birth peak effect. The main indices of the age structure of women of childbearing age nationally, which affects the birth level, will reach a peak during the Eighth Five-Year Plan period after which they will slowly decline. The years 1990 and 1991 will be ones in which the number of women entering the average initial marrying years will reach a peak. During 1992, the number of women entering the peak value birth age, and the number of women between 20 and 24 years old will crest at the same time. In 1993, the number of women in the 20 to 29 year old age group, when births are highest, will crest. Analysis of the age structure shows that the above changes indicate that the Eighth Five-Year Plan period will be an impasse stage for the country's population growth. It both presages the promising prospect of getting through the population peak, and it also reflects the enormous difficulties in population control during the Eighth Five-Year Plan period. This is because, generally speaking, both sides of the crest must inevitably be the highest stages of the average peak. In terms of both total numbers of women entering the peak value birth age, and total numbers of women in the 20 to 29 year old vigorous age for childbearing (women in this age group produce nearly 80 percent of the total number of children born nationwide), the Eighth Five-Year Plan period will be higher than either the Sixth Five-Year Plan or the Seventh Five-Year Plan period. In this sense, the Eighth Five-Year Plan will be a period during which the country's population increase control tasks will be heavy.

2. The conflict between childbearing and production remains extremely conspicuous. The imbalance between childbearing and production has abated somewhat in recent years; however, restoration of basic balance between childbearing and production certainly cannot be accomplished overnight. Its realization will require fairly protracted efforts. During the Eighth Five-Year Plan, the overly fast population increase will remain a main obstacle to economic development. At the same time, the current state of economic development may create difficulties in controlling population increase.

The past 10 years have been a period of fairly rapid economic growth for China in which GNP has increased at an average 9.6 percent annually. At the same time, the country's population has increased by 130 million. The newly added material wealth must be distributed between the newly added population and the existing population. An extrapolation of principal economic indicators for the past 10 years shows the newly added population as consuming 9 percent of national income, 37 percent of the newly added increase in grain output, 18 percent of the newly added oil-bearing crop output, 18 percent of the various kinds of newly added cloth, and 28 percent of the newly added sugar output. This adversely affects a rise in the standard of living of the formerly existing population. During the early part of the Eighth Five-Year Plan period, economic development will still be in the stage of improving the economic environment and rectifying the economic order. Speed of economic growth will not be very fast, and population cannot continue to grow at a fairly high speed either. Rough calculations based on pertinent Seventh Five-Year Plan indicators show that in order for the people's standard of living nationally not to decline, grain output will have to increase by more than 10 billion jin, cotton by more than 1.2 million dan, oil bearing crops by more than 4.5 million dan, and hospital beds by 36,000. The adverse effect of population increase on higher education and employment, communications and transportation, and social stability also cannot be underestimated.

The overly rapid increase in population during the Eighth Five-Year Plan will continue to cause further depletion of resources. The per capita amount of limited resources will continue to decline as a result of population growth. During the past several years, the country's precious soil resources, grassland resources, and water resources, which are basic resources required for survival and development, have sustained varying degrees of damage. Capital construction and the development of township and town enterprises, as well as the building of dwellings have caused takeovers of large amounts of cultivated land. Serious erosion and desertification have also steadily reduced the arable land area. Indiscriminate and reckless felling of timber, and forest accidents have damaged the green canopy that protects our life, and pollution of water resources has resulted in not only economic losses figured at tens of billion yuan each year, but threatens our existence. It must also be realized that as resources decline, the environment worsens, the

ecology becomes imbalanced, the threat of forced natural limitations on population growth closes in on us step by step. Should population growth exceed the limits that the economy and resources impose, will not a compulsory reduction in population as well as a fight for survival space and resources to survive occur?

3. Economic system reform may occasion new problems in controlling population growth. Economic system reform may stimulate economic development and improvement in the people's standard of living. Undoubtedly, this will bring about a change in the economic and social factors for population reproduction, ultimately leading to a decline in the level of childbirth, thereby bringing population growth under control. However, in the process of economic system reform, certain new situations and new problems may occur that are inimical to the development of planned parenthood work, and inimical to control of population growth. These new circumstances may weaken, or even cancel out, the role of some of the measures and techniques for controlling population growth. Some of the difficulties encountered in planned parenthood work during the past 10 years fully illustrate this point. We should be sufficiently mentally prepared for this. These new problems are as follows:

(1) Increase in family production functions. Because of China's shortage of agricultural development funds, during the Eighth Five-Year Plan township and town enterprise structural readjustments and shifts of rural workforces were difficult. Substantial development of the economies of scale of agricultural production was very difficult, so the peasant family remains the basic unit in rural production. Further improvement of peasant family production capabilities will pose new difficulties for planned parenthood. In cities and towns, the development of individual producers, and the expansion of privately owned enterprises will also increase the production capabilities of some families in cities and towns, thus generating a powerful adverse effect on family desires to have children.

(2) Weakening of administrative control techniques. The deepening of economic system reform, with the promotion of all sorts of contract responsibility systems in cities and the countryside will mean a reduction in the number of people subject to administrative control techniques, a narrowing of the scale of control, and a weakening of deterrence to population increase. Economic and legal methods may take the place of some administrative methods. This tendency will become more pronounced during the Eighth Five-Year Plan period. Administrative methods are one of the country's main methods of planned parenthood work control. With the institution of contract responsibility systems, in order to realize economic benefits, leaders of grass-roots organizations may reduce or halt the use of administrative methods in dealing with violations of planned parenthood policies, a matter having no direct bearing on production. In addition, inasmuch as rights and

benefits of staff members and workers have been stabilized through the contracting of production tasks, punishments using administrative methods can scarcely supersede various agreements (such as contracts) and be effective. Given this background, the role of administrative methods in controlling population growth is bound to be correspondingly weakened.

(3) Growth of migrant population. It has been estimated that the country's migrant population now numbers approximately 50 million. This is a very great change from the situation before reform. During the Eighth Five-Year Plan, the following factors may create an even larger migrant population: 1) This will still be a period of increase in the country's working age population; 2) the amount of arable land per capita of the rural workforce will continue to decline; 3) the capacity to provide for the workforce by having it leave the land without leaving the countryside is approaching saturation as is the readjustment of township and town enterprises; 4) with the deepening of optimized teams in enterprises, surplus personnel flowing into society, an upturn will occur in the unemployment rate; 5) certain reforms in the employment system will increase township and town enterprises interest in using cheap rural labor. At the present time, we are unable to make a fairly accurate determination of the scale and make-up of population flow during the Eighth Five-Year Plan; however, the trend toward continued increase in the size of the migrant population, of a further expansion of the scale of flow, and further protraction of the period of flow is extremely clear.

(4) Changes in desire for childbearing. Economic and social factors are the dynamo that powers changes in the birth rate. The process of change in peoples desire to have children that are influenced by these factors is a fairly slow and constantly repetitive gradual process. Even though it is still difficult to understand the main trends that will change the desire to have children of women of childbearing age throughout the country during the Eighth Five-Year Plan, a full understanding is needed of certain economic and social factors that can make people reverse their desire to have children. For example, after more than 10 years of implementation, can advocacy of the policy of only one child per married couple provoke a rebound reaction? When problems for the aged stemming from the incomplete social security system, and the lack of a sound social service system gradually become apparent, is it not possible that on the basis of a simple understanding of the circumstances, people may readjust their own desire to have children?

2. Several Policy Questions About Eighth Five-Year Plan Population Plans

After several decades of practice over and over again, and as a result of numerous successes and failures, we have drawn up a childbearing policy suited to China's national circumstances. This policy is advocacy of late marriage and late childbearing, fewer but better cared for children, and advocacy of only one child per couple.

Except in special circumstances and following approval, state cadres, staff members and workers, and residents of cities and towns may have only one child per couple. Certain groups in rural villages facing genuine hardships, including households having only a daughter that want two children, may, following approval, bear a second child after several years. Under no circumstances may they bear a third child. Minority nationalities must also practice planned parenthood. During the Eighth Five-Year Plan, we must steadily improve the overall environment for carrying out planned parenthood work, emphasize key policy points, perfect implementation methods, and improve all control work. Specifically, we have to implement pertinent policies for carrying out the Eighth Five-Year Plan population plan.

1. Improvement of the overall environment. Several decades of practice enable both those engaged in theoretical and practical work on population in China to realize that no shortcuts exist for achieving quick success in carrying out planned parenthood and population increase control work, and that any thoughts of achieving victory by luck is unrealistic. Attention to basic work to improve the overall environment in order to impel a change in people's ideas about childbearing must be done in conjunction with attention to parenthood policies and concrete work to reduce the number of births. In a certain sense, the former holds more pronounced significance. During the Eighth Five-Year Plan, we must highlight this work emphasis.

The development of nationwide educational endeavors to improve the cultural quality of all nationalities may be a catalyst for change in the country's population reproduction pattern. We find it difficult to conceive of a country one-fourth of whose population is illiterate or semi-illiterate being able to achieve a modern form of parenthood. Chinese demographers' analysis of a large volume of domestic and foreign data shows a correlation between educational level and birth rate. This correlation can explain the effect of the educational level on the current childbirth model. Pertinent data show only 180 million of the country's approximately 290 million primary school age and middle school age population to be actually in school. Among children between six and nine years old, one-third have not received a rudimentary primary school education. Fewer than 70 percent of primary school graduates continue school, and fewer than 40 percent of junior middle school students continue school. We know that today's junior middle school students will become of marrying age as early as the end of the present century or in the early part of the next century. Thus, it is not hard to predict the effect on the post-2000 birthrate in China of this educational structure. That it will give planned parenthood workers difficulties is also entirely conceivable. In view of this, we positively cannot be shortsighted, but must pay full attention to the development of education during the Eighth Five-Year Plan period, laying a solid foundation for conducting planned parenthood work during the end of the present and the beginning of the next century.

The inequitable distribution problem is not entirely unrelated to planned parenthood. One important feature of the inequitable distribution problem that became increasingly conspicuous during the Seventh Five-Year Plan was that the income of unskilled labor was higher than that of skilled labor, and that earnings for simple labor were higher than for complex labor. Consequently the lower the quality of labor, the higher its economic and social value. This not only caused middle and primary school students to leave school and a shriveling of educational endeavors, but produced a mistaken orientation of people's childbearing behavior. During the Eighth Five-Year Plan, we must readjust distribution policies and reform the employment system to bring about equal competition among labor, widening the employment choices and economic income of different quality labor, i.e., the poorer the quality of the labor, the narrower the choice of occupations, and the lower the economic income. This method can be used as a means of forcing people to increase the per unit cost of rearing and educating children, demolishing the economic basis for planning multiple births, thereby switching on the self restriction mechanism for controlling population growth of every household.

Different control requirements for cities and towns and for rural villages throughout the country is a distinguishing feature of China's population policy. Economic conditions and the social environment of cities and towns differs greatly from that of rural villages; therefore, setting higher requirements for cities and towns is extremely necessary and completely feasible. During the Eighth Five-Year Plan period, we must readjust the demographics of the country's cities and countryside as the economy develops. In particular, we must enable those peasants who left agricultural production some time ago to "leave the soil and leave the village as well." We must allow them to become city and town residents in an organized way. At the same time, we must also not miss the opportunity to place strict requirements on their childbearing, using various methods to impose restrictions.

2. Highlighting key points in policies. Prevailing planned parenthood policies have a wide bearing. I believe that during the Eighth Five-Year Plan, the emphasis should be on reducing multiple births, curbing early marriages, and spacing childbirth intervals more widely.

The excessive birth problem has always been an important reason for the overly fast increase in China's population. Despite decline in the excessive birthrate in recent years, it is still around 15 percent. If one says that advocacy of the idea of a single child per married couple is an unrealistic illusion when excessive births are fairly common, then today when there is planned liberalization of tolerance for two births, continued inattention to, or tacit consent for excessive births cannot be said to be a responsible attitude. Is not the "plugging of a large opening" one of the goals of "making a small opening?" Once a small opening has been made, whether our population goals can be realized and whether population

plans can be fulfilled will be decided to a considerable extent, one might say, by how good a job is done in plugging the large holes. Relevant data show that most excessive births occur in rural villages and frontier regions. During the Eighth Five-Year Plan, we must more strictly control excessive births using applicable local regulations as a legal basis, and we must also declare among minority nationalities that under no circumstances will a third pregnancy be permitted. During the Eighth Five-Year Plan, we must achieve a gradual decline in the excessive birth rate.

The early marriage problem has grown more conspicuous in recent years, becoming one of the main reasons for the revival of population growth. With the launching of planned parenthood, the proportion of early marriages nationwide declined in nearly a straight line during the 1970's, reaching 12.7 percent in 1979. With the advent of the 1980's, an almost identical speed of revival occurred, the figure now exceeding 20 percent. Furthermore, cities and towns as well as rural villages show the same general trend and extent of revival. Nowadays, the existence of problems such as people registering to marry before they have reached prescribed marrying age, illegal cohabitation without completing procedures, feudal arranged marriages, interference with the freedom to marry, and the kidnapping and selling of women all cause a revival of population growth and damage fulfillment of population plans. The key to solving the early marriage problem is better control. During the Eighth Five-Year Plan, we positively cannot remain silent about this problem. We must enforce relevant legal regulations, enforce detailed rules and regulations and punishment regulations, augment organs concerned making clear their control authority and function, and simultaneously strengthen measures for punishing violations and violators, including leading cadre and enforcement personnel who do not handle matters according to the law.

Widening the childbearing interval, carrying out a population policy of "deferred marriage, spaced births, and fewer births" has been an important component of China's population policy. It has been gradually diluted with implementation of the "one child only" policy. Moreover, this policy has not received serious attention in consequence of readjustments to the childbearing policy. Widening of the interval between births is simply a way of delaying the time of childbirth. In a macro sense, it plays a substantial role in reducing the number of births, reducing the female fecundity level, widening the spacing of generations, and improving the physical health of mother and children. During the Eighth Five-Year Plan, we must make rulings that clearly specify the time of first births and the spacing of births, simultaneously using a consistent childbearing policy, the provision of technical guarantees, and ensuring implementation of regulations to avoid the occurrence of a concentrated rush to have children.

3. Improvement of control methods. During the Eighth Five-Year Plan, it is necessary, first of all, to adopt

pertinent measures against the possibility of a weakening of administrative techniques. It has to be realized that under today's conditions the fulfillment of very many important economic and social tasks, and the implementation of important measures must rely on administrative measures. All one has to do is look at the role in recent years of administrative measures in dealing with important economic activities such as cutting back investment in fixed assets, controlling the purchasing power of social groups, and controlling prices, for this point to become extremely clear. Naturally, administrative regulations do not mean violations of the law and discipline, or resort to coercion and commandism; and control of population growth also differs very greatly from the control of economic activity. We emphasize that the role of administrative measures is founded on population policies being fair, reasonable, and acceptable to the majority of the people, and that population plans be realistic and contain some leeway rather than resorting to coercion and commandism that require people to achieve certain unrealistically high norms. During the Eighth Five-Year Plan, we must resolutely overcome the situation of no one being in charge, and allowing everything to take its natural course. We must intensify cadre training, and both support and encourage cadres in dealing strictly and at once with conduct that violates childbearing policies in accordance with pertinent regulations.

The birthrate has always been fairly high in the country's impoverished areas; thus certain special methods of solving this problem must be applied during the Eighth Five-Year Plan. Poverty is the reason for increasing population; however, it can likewise function to curb and reduce population. The application of a certain amount of outside force will be required to enable impoverished areas of the country to escape from the devilish circle of the more impoverished the more births, and the more births the more impoverished. This outside force is certainly not boundless and unconditional economic support to impoverished areas without regard for results and without discrimination as to its recipients. Naturally, neither is it the reverse of this. The crux of the problem is how to employ this limited economic strength to the implementation of planned parenthood in impoverished areas, combining it with work to control population growth to enable the people of impoverished areas gradually to realize that halting the overly rapid increase in population is an important means by which they can free themselves from poverty.

Propaganda and education must also be intensified. Propaganda and education can deepen the understanding of the broad masses of people about basic national policies, enabling them to understand basic information about population theory, late marriage and late childbearing, providing better for children, and birth control measures. A very great potential exists in these regards. Concentrated propaganda that has a lot of impetus, and thorough and painstaking propaganda complement each other. We must not emphasize any

aspect at the expense of another. We must use good performance in doing regular propaganda work during the Eighth Five-Year Plan as a basis for carrying out several nationwide or regionwide concentrated propaganda and education campaigns to create a good public opinion climate for realization of Eighth Five-year Plan population plans.

3. Reform of the Population Planning System

Beginning in the early 1970's, China's population planning was formally made a part of the national economic and social development annual plan, of the Five-Year Plan, and long-range planning. During the past more than 10 years, the country's population plans have played a major role in controlling population increase, and have become a major part of overall national economic balance. Economic system reform set us to thinking about reform of the population planning system. During the Eighth Five-Year Plan, we must lose no opportunities to make certain reforms to, or to make needed preparations for the population planning system.

The first problem in the population planning system is the orientation to which population planning should adhere. We want to link macroeconomically population reproduction with the reproduction of materials, doing unified planning, and making unified allocations to realize the coordinated development of both kinds of production for unified economic, social, and ecological benefits. At the same time, every family and citizen should do rational family childbirth planning under guidance of national plan and in accordance with pertinent childbirth policies for realization of population plans.

Thinking about population planning system reform may be capsulized as "three transitions," namely:

1. A transition from plan norm control to childbirth policy control. At the present time, the country's formulation, issuance, organization for implementation, and checking and monitoring process is done in a way similar to that used for materials reproduction plans, grassroots level units controlling population growth on the basis of population norms handed down level by level. Broadly speaking, every grassroots unit in the country has responsibility for organizing the execution of population plans, and a substantial number of citizens in the country are involved in population planning. This feature of population plans is one that no economic or social development plan has. It is for just this reason that accurately or fairly accurately breaking down and issuing national population plan norms in accordance with prescribed childbearing policies is a fairly daunting task that also affects, to a certain extent, the accuracy of norms and the solemnity of planning.

Within the foreseeable future, the country's childbearing policy will continue to improve and stabilize. This will form the basis for our transition from plan norm control to childbirth policy control. The future standard for judging a region's, a sector's, or a grassroots unit's

planned parenthood work will be mostly the degree to which births fit in with planned parenthood policy rather than the degree of compliance with plan norms. The advantage of this method is that it solves the problem of a disjunction between policies and norms, putting an end to the occurrence of situations in keeping with policy for which there are no norms. This will permit grassroots cadres to know what is expected of them, and will provide clear goals that help implementation. In addition, nearly two-thirds of the people's congresses in the country's provinces, autonomous regions, and directly administered municipalities have now passed local planned parenthood rules and regulations having the force of law, which have been promulgated and enacted. These rules and regulations have become criteria for the marriage and childbearing conduct of the masses in these areas of jurisdiction. This will gradually put planned parenthood work on the legal system track. At the same time however, it will weaken and limit, to a certain degree, our system for limiting childbearing and controlling population growth using plan norms. I believe that the transition on a nationwide scale from control of population growth through plan norms to control by childbearing policy is a symbol of childbearing policy stability, and a mark of the maturation of the country's population planning system. In order to ensure the dovetailing of work during the Eighth Five-Year Plan, at the outset we must exercise both plan norm and childbearing policy control.

2. Transition from planning in which annual plans are paramount to planning in which long-range planning is paramount. One important feature of population reproduction in comparison with material reproduction is the long production cycle. Annual population production figures can be finally set at the end of March of the current year, but it usually takes half a year for annual formal population plan norms to be broken down level by level and reach the grassroots units that directly control population birth figures. Consequently, proposing current year birth figures on the basis of current year planned parenthood norms is objectively difficult to do. The resort to coercion and commandism of grass roots units of earlier years stemmed from this. I believe that in view of the special nature of population reproduction, the population planning period interval should be suitably lengthened to enable a gradual transition to a form in which intermediate and long-range planning is paramount. Annual plans could continue to serve as individual year norms within intermediate and long-range plan to be handed down, but their main role would be to provide a rough outline for national population control and timely direction of the work of local units to ensure fulfillment of intermediate and long-range population plans. A system in which intermediate and long-range plans is paramount could also free our leading organs from some onerous day-to-day tasks, allowing them to concentrate their energies on the study of important matters such as plans and policies related to planned parenthood. It would also enable local governments and grassroots unit to enforce annual plans more

flexibly. The use of regulating norms that extend beyond the calendar year, or the use of contract management methods would also help stir their zeal. A suitable extension of the population planning interval would positively not weaken planned parenthood work. In fact, if the transition from plan norm control to childbirth policy control materializes, in terms of planning, a change from primarily an annual plan to primarily intermediate and long-range planning could be made smoothly.

3. Transition from natural population increase planning to overall population planning. It is generally realized that current population planning has to do with only natural population increase. Strictly speaking, such planning can be only termed natural population increase planning. China's population planning as a beginning for controlling population increase cannot be faulted, because this is the most conspicuous problem among the country's population problems. However, for our population planning after more than 10 years to be limited to natural increase is inappropriate. Economic development and economic system reform already pose numerous problems in the population realm requiring our consideration and solution. One example is the movement of rural population into cities and towns increasing the nonagricultural population, control over the direction of flow and the speed of flow of the migrant population, long-range planning of population patterns in the east and the west, changing trends in the natural population structure and the economic structure, etc. Since success or failure in solving these problems has a direct bearing on development of the country's productivity, realization of economic goals, and improvement of the people's livelihood, expansion of the scope of population planning has become an extremely pressing problem. I believe that overall population planning should at least be concerned with control of the total size of the population, improving population quality, readjusting population structure, and improving population distribution, thereby providing rough planning and strategic planning with regard to the country's basic population problems.

Making the foregoing three transitions will be a process of gradual change. They cannot be completed during the period of a single Five-year plan. I believe that these three transitions must become the orientation of our population planning system reform toward which we must make steady and constant efforts.

Drawing up and implementing Eighth Five-Year Plan population plans from a foundation of diligent summarization of experiences and profound investigation and study not only holds important significance for smoothly getting through the country's impasse stage of population growth to complete the tasks of the final 10 years of the present century and realize population goals for the year 2000, thereby realizing the step ideas for development of the country's economy, but also lays a solid foundation for bringing about a benign cycle in the

country's population reproduction during the coming century. This is our historical responsibility to the posterity of the Chinese race.

TRANSPORTATION

Shandong Meeting on Jinan-Qingdao Highway Construction

SK2303065091 Jinan Shandong Provincial Service in Mandarin 2300 GMT 22 Mar 91

[Text] At the working conference on construction of the Jinan-Qingdao highway that was held on 22 March, Zhang Ruifeng, vice governor of the provincial government, urged that we unify our thinking, upgrade our understanding, define tasks, and adopt effective measures so as to guarantee the fulfillment of the Jinan-Qingdao highway construction tasks for 1991.

The 1991 tasks for building the Jinan-Qingdao highway are heavy. Over 630 million yuan of investment have been arranged for building the highway. Some 16,470,000 cubic meters of earth and stone should be used in the construction, accounting for 54 percent of the total planned target. Bridges of extra large, medium, and ordinary sizes, 19 of each, should be built. At the same time, 31 multiple-access overpasses and 20 ordinary overpasses should be built according to plan.

Zhang Ruifeng pointed out: The construction of the highway is a strategic measure for enlivening Shandong's economy and was adopted by the provincial party committee and the provincial government. So, we should put prime emphasis on the construction quality. The road sections that fail to attain the quality requirements must resolutely be rebuilt, and the units and personnel that engage in the construction in violation of the quality procedures must not be tolerated but resolutely punished.

Auto Industry To Stress Science, Technology

OW2503170891 Beijing XINHUA in English 1446 GMT 25 Mar 91

[Text] Beijing, March 25 (XINHUA)—China will stress greater use of science and technology to further develop the country's automobile industry in the next decade.

Xu Rengen, chief engineer of the China National Automotive Industry Corporation (CNAIC), said here today that while integrating imported foreign technology the country will upgrade its auto industry to develop top-rate products.

As part of the country's economic development the state will assign a high priority to the auto industry, and as a result the next decade will be a period of rapid development, according to Xu.

Science and technology are of vital importance in any effort to speed up the development of the country's auto industry, he added.

In the past ten years the auto industry in China has made great headway. The industry invested over 800 million U.S. dollars to import advanced foreign technical knowledge and equipment. These efforts provided a solid foundation for the further enhancement of science and technology in the industry.

In an effort to keep pace with advanced world levels, he said, it is imperative for China's auto industry to rely on science and technology.

All the while, the industry should adhere to the policies of opening to the outside world and developing the auto industry on an independent basis.

The promotion of science and technology in developing China's auto industry should include efforts to train additional technical personnel, he said.

At present, China's automobile production capacity stands at 700,000 automobiles per year.

4 New Air Routes To Open in Jilin Province

SK2603032191 Changchun Jilin Provincial Service in Mandarin 1030 GMT 25 Mar 91

[Summary] Beginning from 1 April, our provincial civil aviation bureau will open four new air routes. Jilin Airport of the provincial civil aviation bureau will also be officially commissioned on 1 April. There will be one scheduled flight on every Monday and Friday on the Jilin-Beijing air route. At the same time, the Harbin-Jilin-Shenyang-Dalian air route will also be opened with one scheduled flight on every Monday.

On 5 April, the Jilin-Guangzhou air route and the Changchun-Hangzhou air route will begin service with one scheduled flight on each air route on every Friday.

The opening of these four air routes will serve as air bridges for promoting economic and cultural exchanges of Jilin and Changchun cities with the three Northeast Provinces of China, Zhejiang Province, North China, and Guangdong Region.

High-Class Buses Slated for Production

OW2603164091 Beijing XINHUA in English 1110 GMT 26 Mar 91

[Text] Beijing, March 26 (XINHUA)—China will start building a model of high-class bus this year.

According to a memorandum signed here Monday between the Ministry of Communications and the China International Trust and Investment Corporation (CITIC), the first 50 buses, model JT6120, will be built within this year.

CITIC has agreed to put 153 million yuan into the project, while the ministry will provide the know-how. The model, the result of a key state scientific research project under the Seventh Five-Year Plan (1986-1990),

was developed in southwest China's Chongqing City by more than 200 designers and researchers over a four-year period.

About 99 percent of the components of the bus will be supplied by domestic producers, including a newly-designed air-spring suspension system. The 12-m-long bus will have a top speed of 120 kph and will be able to carry 47 passengers.

CITIC Machinery Manufacturing Inc., located in north China's Shanxi Province, will make the chassis, and three bus manufacturing plants—in Yangzhou (Jiangsu Province), Changsha (Hunan Province) and Dalian (Liaoning Province)—will do the assembly work.

A CITIC official said that between 100 and 150 such buses will be turned out next year and the planned output for 1995 will be over 3,000.

The bus matches imported models of the same class in major technologies and passenger comfort but costs only half as much to build, the official added.

Harbin Airport To Use MD-82 Planes Beginning April

SK2703040591 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 26 Mar 91

[Text] With the approval of the Civil Aviation Administration of China, two MD-82 planes will be stationed in the Harbin Airport beginning 1 April, thus putting an end to the province's history of being unable to fly long-range routes due to a lack of large passenger planes. MD-82 planes produced by the American McDonnell Douglas Company are currently fairly advanced passenger planes in the world for civil aviation. The plane has 142 seats, its speed is 800 km per hour, and its fuel consumption is a mere 2,600 kg per hour. After arriving in Harbin, the two planes will be used in transportation on the major domestic and foreign routes from Harbin to Khabarovsk in the Soviet Union, and to Guangzhou, Beijing, Xiamen, and Shanghai.

New Airline Company Begins Operation

OW0104181291 Beijing XINHUA in English 1530 GMT 1 Apr 91

[Text] Shenyang, April 1 (XINHUA)—With the approval of the State Council, the China North Airline Company (CNAC) officially started business here today.

The CNAC was established on the basis of the former Shenyang Branch of the Civil Aviation Administration of China (CAAC).

An independent economic entity, the CNAC boasts 80-odd planes of various types, flying more than 60 routes from 12 civil airports in northeast China to some 30 domestic and foreign cities.

It has regular flights to the Democratic People's Republic of Korea, the Soviet Union and Hong Kong, and charter flights to Japan.

To date, China has set up six airline companies; the others are the Southeast, Eastern, International, Northwest and Southern Companies.

Qinghai-Tibetan Highway Links Tibet, Country's Interior

OW0304175391 Beijing XINHUA in English 1501 GMT 3 Apr 91

[Text] Xining, April 3 (XINHUA)—The Qinghai-Tibetan highway, running between Xining in Qinghai Province and Lhasa, capital of the Tibet Autonomous Region in southwest China, has become a very important transport line connecting Lhasa with China's interior.

The 1,937 kilometer highway was first built in 1954. The trip between the two cities takes only 34 hours.

At present, 85 percent of the cargo going into or coming out of Lhasa is carried on this highway.

Moreover, many traditional Tibetan arts and crafts are transported to other parts of the country and even to some other countries by way of the highway.

This increased trade has made all the eight counties and cities along the highway open to the outside world. In addition, more than ten of the poor villages along the highway have now become key economic cities or towns in Tibet and Qinghai Province.

In the past five years, more than 15,000 overseas travelers visited the areas along the highway.

Shanghai Airlines Opens New Route to Yunnan Capital

OW0304084191 Beijing XINHUA in English 0823 GMT 3 Apr 91

[Text] Shanghai, April 3 (XINHUA)—Shanghai Airlines announced today that it will open a new air route between Shanghai, the largest industrial city in east China, and Kunming, the capital of southwest China's Yunnan Province.

The airline will offer regularly scheduled flights on Wednesday and Friday.

Local officials say that the new route will ease the burden of an overloaded transport system and will promote economic and culture exchanges between the two cities.

Shanghai Airlines, which was founded in December 1985, is the first locally operated civil aviation company in China. The airlines operates three Boeing 757 aircraft from a 17,000 square meter airport. In addition, airline facilities include storehouses covering 2,000 square meters, and a 7,000 square meter service building.

The Shanghai-Kunming route increases the airlines total number of routes to 11.

Shenzhen Continues Construction of Container Wharf

*OW0404113791 Beijing XINHUA in English
1047 GMT 4 Apr 91*

[Text] Shenzhen, April 4 (XINHUA)—Construction of a modern container wharf at the Shekou harbor of Shenzhen one of China's special economic zones in Guangdong Province, is well under way.

So far, the construction of two of Tuti wharf's container berths capable of accommodating 50,000 dwt ships each is nearing completion. They will go into operation in June as scheduled.

The two berths cover 650 meters of coast line and are expected to have an annual handling capacity of 500,000 standardized cases.

According to a local official, the major equipment that will be used at the wharf has been imported.

New Air Route Opened From Fuzhou to Wuhan City

*OW0404190291 Beijing XINHUA in English
1503 GMT 4 Apr 91*

[Text] Fuzhou, April 4 (XINHUA)—A new air route from Fuzhou, capital of coastal Fujian Province to central China's Wuhan City opened today.

China-made Yun-7 passenger planes will fly every Thursday on the new 750 km route, operated by the Fujian branch of China United Airlines.

The Fujian branch already operates routes from Fuzhou to Beijing, Jinan, Wuxi, Nanjing, Hangzhou, Fushan, Huiyang, Mt. Wuyi, Shanghai and Xiamen.

Air China Opens New Air Route to Japan

*SK0504081791 Shenyang Liaoning Provincial Service
in Mandarin 1030 GMT 4 Apr 91*

[Text] Air China will open a new air route running from Beijing to Dalian and Fukuoka. Beginning on 4 April, there will be two scheduled flights on every Wednesday and Saturday. The total length of the Beijing-Dalian-Fukuoka air route is 216 km and the time taken for the flight is three hours. This is the sixth air route which our country has opened to Japan.

PRC MEDIA ON FOREIGN ECONOMIES

Lessons From South Korea on Foreign Debt Structure

91CE0304A Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 12, 10 Dec 90 pp 63-67

[Article by Lu Xinde (4151 2450 1795): "South Korea's Foreign Debt Structure and What We Can Learn From It"; author Lu Xinde is affiliated with the Foreign Economics Institute of the Shandong Academy of Social Sciences.]

[Text] At one time, South Korea was steeped in foreign debts, but despite the turbulent international economic environment and volatile financial situation, it not only did not succumb to a debt crisis but actually used the foreign loan funds to create a prosperous economy. Of course there are many reasons behind this, but most importantly, it is because its foreign debt structure, that is, the loan term structure, the mix of borrowers, the mix of loan sources, the currency-mix, and the interest structure, is scientific and rational. Beginning in 1992, China will enter a peak debt payment period. Studying South Korea's foreign debt structure and learning what we can from its experience will be very important to helping us readjust and optimize China's foreign debt structure and weather the peak debt payment period.

I. The Structure of Foreign Loan Terms

The structure of foreign loan terms refers to the relationship among debts of different maturity dates. A proper foreign debt structure would require a proper proportion of debts of different maturity dates to make it easier to coordinate payments and satisfy the many needs of economic development. Meanwhile, the amount of principal and interest to be paid in each period should be evenly distributed to make sure that there is ample ability to pay those debts in each period. The payment of principal and interest should not be concentrated in one period; otherwise it will result in a peak payment period. If, during the peak payment period, there is no significant increase in foreign exchange income, the debtor nation may run into serious difficulties.

South Korea has paid special attention to taking comprehensive and necessary measures to continuously readjust and optimize its foreign debt structure. Therefore, its overall structure of foreign loan terms is good and debts of different maturity dates are well proportioned, and they satisfy the demand for foreign funds in all sectors of the economy and promote a high rate of economic growth. Based on data supplied by the South Korean Research Institute on Development, in the 1960's, South Korea's national economy was growing at an average rate of 7.8 percent a year, 4 percent of which was funded by foreign capital. In other words, more than 50 percent of its economic growth was spurred by foreign funds. Between 1962 and 1982, its national economy grew at a rate of 8.2 percent a year. Without foreign loans, the investment of domestic savings alone could have supported an annual growth rate of

only 4.9 percent. In other words, foreign loan funds contributed to an average of 3.3 percent of the annual growth rate. If we take the annual rate of growth of the national economy (8.2 percent) to be 100, then foreign capital's contribution to its economic growth comes to 41 percent. Using the same method to calculate foreign capital's contribution to South Korea's economic growth during the first to fourth Five-Year Plan periods, the figures would be 51.89 percent, 49.4 percent, 32.35 percent, and 26.3 percent, respectively.

The proportion of long-term, medium-term, and short-term foreign loans is the most important relationship in the structure of foreign loan terms. Short-term loans are the easiest to obtain, but too many short-term loans will often lead to the deterioration of the foreign debt structure. Thus, a good foreign loan maturity structure should be made up of primarily long-term loans with some short-term loans. The structure of South Korea's foreign debt terms is as shown in Table 1.

Table 1. The Structure of South Korea's Foreign Debt Terms

Unit: \$100 million								
Year	1979	1980	1981	1982	1983	1984	1985	1986
Total	203	272	324	371	404	431	467	445
Medium- and Long-term	148	178	222	247	283	316	360	362
(long-term)	142	170	211	237	264	296	-	-
(medium-term)	6	8	11	10	19	20	-	-
Short-term	55	94	102	124	121	114	107	93

Note: Long-term refers to loan terms of more than three years; medium-term refers to loan terms of one to three years; short-term refers to loan terms of less than one year.

From Table 1, we can discern two distinct characteristics of South Korea's foreign loan term structure: One, the ratio of short-term debts to medium- and long-term debts is maintained at around 3:7 and has followed a downward trend. Between 1979 and 1986, short-term debts on the average made up 28.3 percent of all foreign debts while long- and medium-term debts made up 71.1 percent. At the end of 1980, short-term debts accounted for 34.5 percent of all foreign debts, and after several years' adjustments, they fell to 20.8 percent by the end of 1986. Two, between medium- and long-term debts, the latter play a more important part. From 1979 to 1984 when data were being gathered, long-term debts made up 95 percent of the long- and medium-term debts and 65.9 percent of all foreign debts.

With respect to the distribution of principal and interest payments, South Korea has also made scientific plans and detailed arrangements. It has consistently limited its foreign debt payments so that it has ample ability to pay its debts in each period. Since the level of national economic growth and the ability to export and earn foreign exchange differ at different times, the debt payment ratio, that is, the ratio of principal and interest payment to the amount of foreign exchange earned through exporting, will vary. But South Korea generally has been able to keep the debt payment ratio to under 20 percent, never overstepping the internationally accepted warning line. From a different perspective, this demonstrates South Korea's success in administering and managing its foreign debts.

China had a late start in obtaining foreign loans and has little experience. We have trouble making well-thought-out decisions on many strategic issues, and our

foreign loan term structure has yet to attain a reasonable standard. Overall, China's foreign debt volume has been increasing fairly rapidly. By the end of 1989, it has accumulated as much as \$41.3 billion in foreign debts. Not only is the structure unsound but the terms are out of proportion and cannot give full play to the foreign loans' ability to promote national economic growth. From the point of the proportion of short-term, medium-term, and long-term debts, short-term debts tend to make up the bulk of foreign debts while long-term debts make up too small a proportion. In the early 1980's, China's short-term debts made up as much as 59 percent of its total foreign debts, much higher than the levels of other developing nations. In 1985, short-term debts still made up 40.5 percent of its debts, and although the percentage has continued to decrease somewhat, we still cannot lower our guard and ease control. Among the long- and medium-term debts, the latter account for a much larger proportion and are increasing rapidly. This has prevented any improvement in the foreign loan term structure. Looking at the debt payment periods, because of poor planning and improper arrangement, foreign debts entered into during the Sixth Five-Year Plan and Seventh Five-Year Plan periods will all mature one after another in the years 1992 to 1995. This means in 1992, China will enter a peak debt payment period which will last until 1995. During this time, China's principal and interest payments each year will more than double what it has been paying for the last few years. Thus, we must remain sober-minded, make early preparations, make arrangements ahead of time, formulate practical and effective countermeasures, and strive to weather this peak debt payment period safely.

II. The Mix of Borrowers of Foreign Loans

The mix of borrowers of foreign loans refers to the composition of borrowers in the debtor country and their relationship with one another. Internationally, borrowers of foreign loans are separated into three main categories: public sector, private sector, and financial institutions. Public sector loans refer primarily to official loans; private sector loans refer to loans obtained by privately-run enterprises and institutions; financial institution loans refer to loans obtained by banks and other financial institutions. The mix of borrowers of foreign loans and the use of foreign loan funds are closely related. Under normal circumstances, if there is a good mix of borrowers, the use of foreign loan funds tends to be more reasonable and the economic efficiency in foreign loan fund utilization is higher.

South Korea's strategy for raising foreign loans has been to rely on many channels, many formats, and many sources. According to the South Korean government's classification, there are four types of borrowers of foreign loans: the public sector, businesses, financial institutions, and the private sector.

(1) Public sector loans. Public sector loans refer to loans obtained by the South Korean government. They are loans provided by international financial institutions and some Western governments and are financial aid-type loans. The South Korean government attaches special importance to these loans, and therefore the percentage of public sector loans tends to be fairly stable, generally maintained at around 24 percent. Public loans tend to be long-term, low-interest loans and are used mainly to finance the development of infrastructure and undertakings to improve the living standard. Specifically, 79.2 percent of these loans are used to develop power plants, transportation and shipping, communication equipment, education and public health and other undertakings; 15.3 percent are spent on agriculture and fishery; only 5.5 percent are spent on the manufacturing and mining industries.

(2) Commercial loans. South Korea began taking out commercial loans in 1962, during the first five-year plan period. Commercial loans are high-interest, short-term loans, but there are few strings attached, and most loans are directed to the manufacturing industry (primarily processing industry that export goods and earn foreign exchange) and social infrastructure. Specifically, 56.2 percent of these loans are directed to the manufacturing industry, 42.5 percent to the infrastructure sector, and 1.3 percent to agriculture and fisheries.

(3) Financial institution loans. South Korea's financial institutions have become internationalized in a relatively short period of time. They have built a good reputation in the international markets and are getting better and better loans terms, and therefore the percentage of foreign loans obtained by the financial institution has increased substantially. Prior to 1979, financial institution loans only accounted for 28.5 percent of

all foreign loans. By 1984, they have increased to 48.2 percent, and since 1985, they have exceeded 50 percent. Most foreign loan funds borrowed by the financial institutions are lent out again to other businesses and industries as necessitated by the country's economic development and are used to finance the development of the country's key industries, key sectors, and key projects. The remaining funds are kept as foreign exchange reserve and as the banks' own working fund.

(4) Private sector loans. South Korea has relatively few private sector debts. They make up about 12.5 percent of its foreign debts. Private sector loans are primarily in the form of trade credit; they account for 63.3 percent of the loans. The rest are used to fund nuclear power plants, the subway system, and other key state constructions.

The main borrowers of foreign loans in China fall into three main categories: state government organs, banks, and enterprises. Their loans account for more than 90 percent of the country's foreign debts. The mix of borrowers, overall, is good, and foreign loan funds play a very important role in China's socialist modernization. They help ease the country's fund scarcity problem, fund the development of energy, communications, raw materials and other infrastructure and key industries, finance the technological transformation of the mechanical and electronic industries, establish new and upgrade old exporting enterprises that earn foreign exchange, promote the development of the export-oriented economy, and spur national economic growth.

But due to the imperfect foreign debt management system and unsound macroeconomic control and regulation system, we rushed headlong into mass action; thus nationwide, there are now as many as a hundred debtors. Various State Council departments, the provincial, city, and autonomous region governments, the three kinds of wholly and partially foreign-owned enterprises, and various organizations stationed abroad, among others, have vied with one another in obtaining foreign loans. Even the Financial Ministry has entered directly into the international financial markets and has issued bonds to remedy the budget deficit. The chaotic mix of borrowers of foreign loans has caused the foreign debt volume to explode, bringing many problems to the foreign debt structure and misdirecting the foreign loan funds. Statistics show that out of China's long-term foreign debts, only 19 percent are spent on energy, transportation and communications, post and telecommunications; less than 20 percent are spent on industries that export and earn foreign exchange; only 3.6 percent on the agricultural sector, and less than 2.5 percent on cultural, educational, and public health sectors, despite the fact that these sectors, trades, and industries are of strategic importance to China's economic development. On the contrary, nearly 55 percent of the long-term loan funds are used to bring in entire production lines that make

color TVs, refrigerators, and other luxury consumer goods and spent on building high-class hotels and purchasing expensive automobiles and other luxury consumer goods, seriously jeopardizing any improvement in economic efficiency in the use of foreign loan funds. Thus, we must optimize the mix of borrowers of foreign loans, choose the direction of use of foreign loan funds properly, strengthen and perfect management, and improve economic efficiency in utilizing foreign loans.

III. The Mix of Foreign Loan Sources

A proper foreign debt structure requires a fairly balanced distribution of foreign loan fund sources to ensure that the debtor nation has reliable and steady supply of foreign funds. A reliable and steady supply of foreign funds can supply the debtor nation's demand for foreign funds and enable it to obtain loans even if the international financial situation should change and also help to preserve its ability to pay debts. If the foreign loan sources are fairly concentrated, when the international economic and financial situations change, the debtor nation may have trouble obtaining funds from the former channels, and serious problems may ensue. If we want to maintain a reliable and steady supply of foreign loan funds, we must formulate and implement a multiple-source, multi-channeled, and multi-formated borrowing strategy.

The distribution of South Korea's foreign loan sources is fairly balanced. An analysis of the composite data for the five years from 1980 to 1984, inclusive, shows that most foreign loan funds come from the United States, which accounts for 27.2 percent of the loans; followed by loans from international financial institutions, which account for 23.3 percent; and Europe, which accounts for 18.4 percent; and then Japan, in fourth place and accounting for 11.7 percent of the loans. A substantial amount of funds also come from Southeast Asia, which accounts for 9.6 percent of the loans.

The scientific and balanced structure of South Korea's foreign debt sources is the result of its effective measures to continuously readjust and optimize that structure. The principle measures it has used to readjust and optimize the structure of foreign debt sources are:

(1) Implementation of a diversification strategy to obtain funds from different regions. Prior to 1965, financial aid from the United States was South Korea's primary source of foreign funds. Since then, foreign loans have been the major source of funds, especially loans from the United States. To ensure a continuous supply of funds and to avoid being adversely affected by changes in the world economic and political situations, the South Korean government has formulated and implemented a strategy of diversification to obtain funds from many different regions and gradually reduce its dependence on the United States. It has developed and expanded in succession the European fund market, the Japanese fund market, and the fund markets in Southeast Asia, establishing many reliable and steady foreign fund sources.

(2) Maintaining a fixed percentage of loans from international financial institutions. International financial institution loans refer primarily to loans from the International Monetary Fund and the World Bank. Although these loans have strings attached, they come with favorable rates and are long-term loans. Therefore, keeping up and increasing the percentage of such loans in the overall foreign debt structure will have a very positive effect on lowering the cost of foreign loans and delaying the redemption period. Thus, since 1979, South Korea has begun to formulate and carry out a strategy of increasing the share of international financial institution debts as a percentage of all debts entered into each year. In 1980, they accounted for 13 percent of all foreign debts entered into that year; by 1984, their share has risen to 32.4 percent and has been kept above 30 percent since, ensuring the safety of all of its foreign debts.

(3) Paying special attention to borrowing from a neighboring international financial center. Hong Kong, South Korea's neighbor, is the Asian Pacific region's international financial center and Eastern Asia's important stronghold for raising capital. Important South Korean banks such as the Korean Foreign Exchange Bank and other important financial institutions have offices in Hong Kong where it is very convenient for them to consult and negotiate with banks and financial institutions from all over the world and raise the funds they need. Statistics show that nearly 80 percent of the loans South Korea has obtained from bank groups were arranged in Hong Kong. Having an international financial center nearby saves time and trouble and is one of the main factors behind South Korea's success in obtaining foreign loans.

Compared with South Korea, China has very few foreign loan sources. Its major fund gathering markets are Tokyo's WUSHIZHAI market and Hong Kong's Japanese yen market. Other markets such as the European mark and Eurodollar markets play a very minor role. The United States' dollar market, Switzerland's French franc market, and the European monetary unit market are major capital markets which China has never set foot in. Statistics show that around 80 percent of all China's foreign loans were obtained through the Japanese and Hong Kong markets and only 9 percent of the loans came from the United States, Great Britain, France, and West Germany and other countries put together. If the fund gathering markets are overly concentrated, it will render us too dependent on the funds from specific markets, which will increase the risks. Therefore we should learn from South Korea's experience, and while we want to solidify the markets we already deal with, we should take effective measures and try every means to develop new fund gathering markets and diversify the loan markets as soon as possible. Meanwhile, we should seek out more fund suppliers and look for foreign loans in many markets, from many sources, and through many channels to avoid unnecessary losses.

Among the foreign loans China has obtained, the percentage of favorable foreign government loans and international financial institution loans is not only too low but is also decreasing. In 1985, 63 percent of China's foreign debts were preferential loans; they dropped to 30 percent in 1986 and down to 28.8 percent (including 17.6 percent in foreign government loans and 11.2 percent in international financial institution loans) in 1988. Commercial loans are high-interest, short-term, high-cost, and high-risk loans, but they make up an increasingly larger share of China's foreign debts: In 1985, they accounted for 37 percent of China's foreign debts, and by 1988, they have increased to 42.4 percent. They can have an adverse effect on our ability to pay our debts. Thus, we must take effective measures to readjust and optimize the mix of fund sources, actively and carefully cut back on commercial loans, and strive to obtain more foreign government loans and international financial institution loans.

IV. The Currency-mix of Foreign Debts

The choice of currencies borrowed and the overall currency composition are also an important part of foreign debt administration and management. The international financial markets tend to be volatile. If the currency-mix in the foreign debts is poor, when the exchange rates change in the international financial markets, it could cause a lot of damages. To avoid such exchange rate risks, we should adopt a strategy to diversify the types of currencies we borrow and combine this with the exchange rate, interest rate, price considerations and how urgent is the demand for various commodities when we choose the types of currencies and strive for truly favorable loans terms, so as to lower the cost of borrowing. Under normal circumstances, the currency-mix in the foreign debts, the currency-mix of foreign capital being put to use, and the currency-mix earned by the country's exports should be consistent with one another. In this way, if the currencies in the foreign debts should appreciate in value, the currencies earned through exporting will also appreciate, which will offset the increased cost caused by the appreciation.

The overall currency-mix of South Korea's foreign debts basically follows the principle behind its use of currencies and is adjusted and arranged according to the foreign currencies its exports earn. At the end of 1980, the U.S. dollar made up the bulk of the currency-mix in South Korea's foreign debts: The dollar made up 73 percent of the mix; the Japanese yen, 11 percent; the Deutsche mark, 3.2 percent; the British pound, 3.2 percent; French franc, 3 percent. In addition, there were some Swiss francs, Belgian francs, Austrian schillings, and Canadian dollars, making a total of 10 different currencies. Thus, the currency-mix of South Korea's foreign debts consists mainly of the U.S. dollar together with several other currencies. This basic currency-mix was created at the end of 1980 and has been maintained since. Practice proved that this currency-mix in South Korea's foreign debt and the currency-mix it earns

through exporting are consistent with each other and can adapt to the changes in the international financial markets.

Compared with South Korea, the currency-mix in China's foreign debts is relatively homogeneous. They are made up primarily of the Japanese yen and U.S. dollar, especially the former. In 1986, China lost more than \$3 billion yuan due to the appreciation of the Japanese yen. At the end of 1988, Japanese yen made up 42 percent of the balance of China's foreign debts; the percentage is even higher in 1990. If we look at the bonds we issued overseas in the first six months of this year, Japanese bonds made up 60 percent of the total issuance. Such currency-mix is in sharp contrast with the currency-mix China's exports earn. China's foreign exports have always based their valuation on the U.S. dollar, and Japanese yen only account for around 10 percent of China's export income. This kind of concentration in a currency which is not even consistent with the type of currency earned through exporting tends to increase the exchange rate risks.

To reduce or avoid exchange rate risks, we should learn from South Korea's experience and adopt the following measures: One, we should readjust the currency-mix of foreign debts and encourage greater variety in the currency-mix. We should borrow hard currencies as well as soft currencies and mix the two together properly and correct the overly concentrated currency-mix in order to adapt to the changes in exchange rates in the international financial markets. Two, we should further improve the mix of currencies and make the mix of currencies we borrow more consistent with the mix of currencies we earn through exporting so as to reduce losses if those currencies should appreciate in value. Three, we should make use of the adjustment periods conscientiously and promptly. If we anticipate a substantial appreciation of a certain currency, we should switch to another currency when borrowing and eventually readjust the mix of currencies and reduce the exchange rate risks. Four, basically, we should readjust and optimize the currency-mix in our foreign debts to promptly correct our present over-dependence on the Japanese yen. We should actively open up the European and U.S. markets and promote the diversification of foreign loan sources.

V. The Interest Rate Structure of Foreign Debts

Interest payment is the largest single expense incurred in obtaining foreign loans. Stabilizing and controlling the payment of interest is an important part of foreign debt management. Interest rate is the most important factor determining the amount of interest payment. Interest on foreign loans can either be fixed rate or variable rate. Both types have their advantages and disadvantages. In fixed interest rate loans, the interest payment is determined ahead of time, which eliminates the risks of international interest rate fluctuations, but the rate tends to be higher. Variable interest rate loans come in many different forms, and if handled properly, they can be

more profitable, but they are more difficult to ascertain and are more risky. The South Korean government has adopted several different measures to continuously readjust and optimize the foreign debt interest structure to make it fairly reasonable. In the adjustment and optimization process, they have emphasized two points: First, maintain a certain proportion of fixed interest loans, generally keeping them to more than 30 percent of all of its foreign debts in any given year. Second, with regard to the variable interest loan funds, they have implemented a policy of diversification of the basic interest rates, with the purpose of minimizing the risks of interest rate fluctuations and stabilizing the cost of interest payments. Of the long-term variable rate foreign loans offered by the international financial institutions, there were only two types of basic interest rates in 1979; since 1985, there have been six. They are: London, Singapore, and Hong Kong daily interest rates, Japanese long-term preferred rate, U.S. preferred rate, and the IMF interest rate. South Korea uses these six interest rates as the basis for calculating the variable rate and effectively disperses the interest rate risks and manages to keep the interest payment very steady, at around 45 percent of its total debt payments.

Compared with South Korea, the interest rate structure of China's foreign debts has some different characteristics. First, fixed interest loan funds account for around 50 percent of all foreign debts, 17 percent higher than South Korea's. But China's situation is unlike South Korea's, and a 50-50 fixed interest and variable interest loans have not made things more risks for us. Two, among the variable interest loan funds, China has fewer types of basic interest rates. This is one of the defects of China's interest rate structure. We should learn from South Korea and formulate and promulgate a policy to diversify the basic interest rates, create more types of basic interest rates, and find ways to reduce the risks brought by interest rate fluctuations.

AGRICULTURE

Genetic Vaccine Controls Swine Colibacillosis

91CE0277A Lanzhou ZHONGGUO SHOUYI KEJI
[CHINA VETERINARY SCIENCE AND
TECHNOLOGY] in Chinese No 12, 20 Dec 90 p 26

[Article by Wang Caixiang (3769 1752 4382), Jin Yan-
chun (6855 3348 2504), Xu Hengyuan (1776 0077 6678),

and Jin Zaiyi (6855 0961 0001), of the Yanbian Chaox-
ianzu Zizhizhou General Livestock Veterinary Station,
Jilin under the rubric "Clinical Experience": "Tests on
the Use of Genetically Engineered Vaccine To Prevent
Colibacillosis in Piglets"]

[Text] A 1987 survey indicated that in this autonomous
prefecture 9,922 piglets, or 11.3 percent of the 878,453
piglets in stock that year, died from colibacillosis. Losses
were significant. The following experiment was specially
undertaken in order to find an effective means of pre-
venting this disease and promoting healthy development
in the hog industry.

Materials and Methods

1. Test Vaccine: The genetically engineered vaccine tested was developed and produced by the Bioengineering Institute of the Chinese Academy of Medical Sciences, lot number 8902-03.
2. Test Animals: Pregnant sows were selected from two pig farms which have historically had high morbidity and piglet mortality. The rearing conditions and management methods were essentially identical.
3. Immunization Method: The genetically engineered vaccine was a freeze-dried vaccine in ampules weighing 0.25 g, which were mixed with the appropriate quantity of water or normal saline solution for injection. The vaccine was injected in the postauricular muscle of pregnant sows, and the reaction and results were then observed. The observation period extended over 30 days, during which morbidity and mortality from yellow scours and white scours were recorded.
4. Test Groups: The test animals were divided into two groups: In Group 1 the pregnant sows (24 head) were immunized 15-20 days antepartum; in Group 2 the pregnant sows (24 head) were immunized 20-25 days antepartum. A control group (24 head) received no immunization.

Test Results

1. Sow reaction after immunization: On the first day following immunization one or two sows exhibited a slight reaction manifested as diminished appetite or refusal of food at the first feeding, but they rapidly returned to normal. Most of the pregnant sows exhibited no reaction to the immunization.

Table 1. Piglet Immunity Following Immunization With Genetically Engineered Vaccine

Group		Test Group 1	Test Group 2	Control Group
No. of Pregnant Sows		24	24	24
Vaccination Time (days)		20-25 antepartum	15-20 antepartum	
Piglet Condition	Number of Piglets	192	210	172
	Number Protected	189	206	
	%	98.40	98.10	
Types of Disease	Cases of Colibacillosis	3	4	94
	%	1.50	1.90	54.60
	Cases of Yellow Scours	2	1	90
	%	1.04	0.47	62.30
	Cases of White Scours	1	3	4
	%	0.52	1.42	2.32
	Total Deaths	1	0	31
	%	0.41		18.80

Discussion and Summary

1. These results demonstrate that the use of this genetically engineered vaccine to vaccinate pregnant sows is safe, nontoxic, has no side effects, and provides notable protection for piglets (over 98.1 percent). A statistical analysis shows that the difference in morbidity and mortality between the test groups and the control group is extremely significant ($P > 0.01$).

2. The test also shows that the results are the same whether the vaccine is used 15-20 days antepartum or 20-25 days antepartum.

Liu Zhongyi Interviewed on Grain-Selling Problems

91CE0336A Beijing JINGJI RIBAO in Chinese
7 Feb 91 p 2

[Interview with Minister of Agriculture Liu Zhongyi conducted by JINGJI RIBAO reporter Chen Jiyang (7115 7139 7122) on 28 January 1991: "The Key Is To Intensify Reform and Do a Good Job of Macroeconomic Regulation—Minister of Agriculture Liu Zhongyi Discusses 'Grain-Selling Problems'"]

[Text] "Grain-selling problems" refers specifically to "grain-selling problems" experienced by the peasant masses. What view does the Ministry of Agriculture, which is primarily responsible for agriculture, have on "grain-selling problems?" Our reporter discussed this issue with Minister of Agriculture Liu Zhongyi on 28 January.

Reporter: What effects do the current "grain-selling problems" have on agricultural production?

Liu: Agriculture today is no longer a self-sufficient, small-farm economy, rather it is largely a matter of commodity production. Particularly in key grain producing regions, peasants can use any increment in grain

production for commodity sales. Consequently, "grain-selling problems" dampen enthusiasm among grain farmers and have a detrimental effect on maintaining steady growth in grain production.

First of all, they assail the economy. Peasants use income from product sales to meet living expenses and plan production inputs for the coming year. The chief product in grain-producing regions is grain, and if that is hard to sell it becomes difficult to achieve turnover in the peasant economy. Moreover, most peasants cannot rely to any extent on bank loans to finance agricultural reproduction because interest rates are higher than they can afford.

But even more serious than the economic effects are the psychological effects. "Grain-selling problems" can easily send peasants the wrong signal, they think that the need for grain in state and society has been met and there is no further need to increase grain output. As a result, they switch to some other crop. This has a direct impact on grain production the following year. In the long term, "grain-selling problems" can also affect agricultural reserves. When we have a bumper harvest, "grain-selling problems" appear and peasants will refuse to make heroic efforts to expand production. Thus, all production-boosting measures, such as manpower inputs, scientific and technical applications, water conservancy construction, soil amelioration, or increased fertilizer application, become immaterial. When peasants lack the initiative and capability to expand production it can shake the very foundation of the agricultural system.

"Grain-selling problems" also have an adverse effect on coordinated agricultural development. The vast majority of China's 2 billion mu of sown cropland is used to grow grain. "Grain-selling problems" are like a "silent command" that can induce peasants to switch from grain to some other crop, though the overall demand for that other crop is limited. There is no cash crop that can accommodate all the land taken out of grain production.

If the grain production area shrinks just a little bit, the area devoted to certain cash crops will swell tremendously, so that before long no matter what a farmer grows there will be a glut of it. This will result in imbalances in the agricultural product mix, crop ratios, and supply and demand.

Reporter: What are the major causes of "grain-selling problems"?

Liu: The most important cause is ineffective macroeconomic regulation. We have a planned commodity economy, but planning encompasses only production targets, while the specific means of achieving, regulating, and controlling these targets are more often than not incomplete, unenforced, or even in contradiction with the goals themselves. The plan calls for increasing grain production, but we often do not make corresponding arrangements to guarantee the essential material and technical requirements or apply the economic regulatory levers necessary to increase output. Our calculations indicate that every 50-billion increase in grain output requires corresponding measures to acquire an additional 15 million tons of chemical fertilizer, 1.3 million tons of diesel fuel, and 10 billion kWh of electricity. These figures are certainly not precise, but grain production does require the conversion of materials and energy. If there are no material inputs, they cannot be transformed into material riches. This is one aspect of the situation. On the other hand, current bumper grain harvests result in "grain-selling problems", this is an economic regulation and control problem. Because grain production is also a socioeconomic pursuit, the labor and material costs peasants invest in it must be compensated for in other socioeconomic pursuits or else we will be unable to maintain simple agricultural reproduction, let alone agricultural labor reproduction. This kind of economic cycle is also difficult to sustain.

Prices are sliding, if we again fail to target this new situation with forceful, effective regulatory and control measures, our next production cycle will be severely impeded. This is why we are still unable to sustain steady growth in agricultural production, and it is also why the State Council wants to establish a special state grain reserve system.

Another reason is that China has only a single channel for buying and selling grain, a mechanism that operates inflexibly, and very little moving or storage capacity. Therefore, when grain is scarce we have no choice but to adopt strict management, and once grain is plentiful the main channel cannot handle it all, yet there is no enthusiasm for diversifying channels. In particular, due to the inversion of grain purchasing and selling prices; the serious losses that beset grain farmers, transporters, and storage facilities; and implementation of a system of fixed quotas for revenues and expenditures at all levels of local government, the grain storage, handling, and transport cycle has become an economic burden, and no one is willing to store more grain. This problem is especially prominent in a bumper harvest year. Grain

production is seasonal, heavily affected by natural factors, and differs widely from region to region, yet society demands absolute stability and timeliness in grain production. At any place or time, we cannot be without grain for even a single day. Thus, in terms of the connections among production, supply, and marketing, grain is a unique commodity that is still plagued by the conflict between the demand for stable supplies and the impossibility of avoiding fluctuations in output. Moreover, balanced demand for grain over time conflicts with seasonality in the grain harvest, and the nationwide nature of the supply system conflicts with the regional nature of the production system. These three conflicts make it essential for there to be comprehensive facilities able to regulate and manage grain storage, handling, and shipping. China is a land of vast territory and multitudinous population. Moreover, there are sharp contrasts in climate from place to place, and communications and transportation facilities are not the best. Thus, grain storage and transport are a difficult task. These facilities are still inadequate, and including the problem of economic interests discussed above, a slight increase in grain output produces "grain-selling problems."

Reporter: What is the Ministry of Agriculture's position on how to solve "grain-selling problems"?

Liu: To solve grain-selling problems, undoubtedly we must begin by addressing the three aspects discussed above and suit the remedy to the case. First we must establish a system of macroeconomic regulation and control that applies the law of value to produce voluntary, self-initiated, prior regulation on the grain market. This year, faced with nationwide "grain-selling problems," the state has promptly promoted a special grain storage system and adopted guaranteed prices for purchasing surplus grain from peasants to use for state grain reserves. This has already alleviated "grain-selling problems," but it is not enough to rely on this alone.

Second, in the process of intensifying future reform we must also establish a multi-channel, flexible system of buying and selling grain. The state naturally must have a certain quantity of reserve grain, but in such a huge country, relying solely on the state to manage the whole job of massive buying, selling, and long-distance allocation and transport is neither economical nor conducive to guaranteeing timely supplies of grain. We must organize diverse networks on many different levels nationwide to market grain and other staple crops, divide management and administration into different levels, and organize production, supply, and marketing connections on a region by region basis. We must also recommend that grain producing regions and grain marketing regions sign production and marketing contracts and futures contracts, and we should encourage them to coordinate and cooperate horizontally, work together to develop grain production, and institute interregional "compensation trade." Simultaneously, we must permit peasants and rural collective economic organizations to

trade grain directly in the marketplace after their obligations to the state have been met, thus actively stimulating the grain circulation mechanism.

Third, we must adopt a positive, reliable policy for regulating grain prices. This encompasses several major issues: price parities between industrial and agricultural products, price parities between grain and other agricultural products, disparities between purchase and sales prices, regional price disparities, and seasonal price disparities. If these price parities and disparities are not regulated it will be impossible to achieve normal circulation in the production, supply, and marketing cycle.

In the past few years grain-selling problems are not the only problems that have appeared. Certain other staple crops have also been "hard to sell when there is a lot, and hard to buy when there is not." This problem has become a serious impediment to sustained, stable, coordinated agricultural growth. Agricultural departments urgently hope to solve this problem, but it impinges upon a multitude of other factors. We must actively coordinate the departments concerned and work conscientiously to implement policy measures the central authorities have already formulated, promote reform in the farm product circulation system, perfect macroeconomic management in China's rural economy, and ensure that agricultural production follows the path to healthy development by thoroughly resolving "selling problems" and other circulation problems that persist.

"Grain-selling problems" are not just a peasant problem because agricultural issues are not single-sector issues. Rather, they are issues that affect the overall national economy. "Agriculture is the foundation," so we cannot address this issue merely by focussing on how much everyone has to eat. When we say that agriculture is the foundation, we mean that it is the basis and starting point for all social development and operations in the national economy. It is the essential condition that guarantees, promotes, and determines the rate of progress in national economic and social development. When there are major fluctuations in agricultural production the entire national economy is difficult to stabilize. Since the PRC was founded, the several occasions on which the national economy has experienced major perturbations have all been the result of agricultural problems, and all dislocations in national economic development have been resolved by solving agricultural problems and coordinating industrial/agricultural relations and urban/rural relations. "Grain-selling problems" are an economic phenomenon, a problem reflecting the agricultural domain. But the essence of this problem lies in weak macroeconomic regulation and control and unsuitable mechanisms of economic operation. The CPC Central Committee and State Council have repeatedly stressed the guiding ideology of agriculture as the foundation, we need to intensify our understanding and apply it thoroughly in our economic lives. These are also precisely the things we must do to intensify future reform.

Sichuan Hog Breeding Develops

91P30120E Chengdu SICHUAN RIBAO in Chinese
17 Feb 91 p 1

[Summary] In 1990 Sichuan Province slaughtered 60,940,000 hogs, and gross output of pork exceeded 4,300,000 tons. During the Seventh Five-Year Plan, Sichuan invested more than 27 million yuan in the hog-breeding industry. Sichuan has gradually formed a service system providing rural households with fine breeding and disease prevention techniques, and feed supplies. At present, Sichuan has 74 lean meat commodity bases.

Hebei Grain Storage Facilities

91P30122B Shijiazhuang HEBEI RIBAO in Chinese
19 Feb 91 p 2

[Summary] To alleviate the shortage of grain storage facilities in Hebei Province, the Industrial and Commercial Bank has provided 35 million yuan in loans to build granaries with a storage capacity of 250 million kilograms. The bank first issued 21 million yuan in loans to support the construction of 106 granaries with a storage capacity of 150 million kilograms in eight cities, which are now completed. The second batch of loans worth 14 million yuan will support the construction of 78 granaries in nine prefectures and cities.

Yunnan Aquatic Products Output

91P30122C Kunming YUNNAN RIBAO in Chinese
20 Feb 91 p 2

[Summary] In 1990 gross output of aquatic products in Yunnan Province was 47,000 tons; and the fish catch was 18,500 tons. During the Eighth Five-Year Plan, the planned gross output of aquatic products is 65,000 tons.

Yunnan Agricultural Loans

91P30120F Kunming YUNNAN RIBAO in Chinese
20 Feb 91 p 1

[Summary] In the first quarter of 1991, Yunnan Province will provide 1 billion yuan in agricultural loans, a 65.7 percent increase over the same period in 1990.

Jiangsu Rape Area

91P30122D Nanjing XINHUA RIBAO in Chinese
23 Feb 91 p 1

[Summary] Normally, the rape area in Jiangsu Province is 6 million to 7 million mu, and rapeseed output accounts for about 70 percent of oil crop output in Jiangsu. By the year 2000 Jiangsu hopes to achieve an average per mu yield exceeding 150 kilograms.

Yunnan Sugar Industry Output, Prospects

91P30120D Kunming YUNNAN RIBAO in Chinese
23 Feb 91 p 2

[Summary] In 1990 the sugar cane area in Yunnan Province was 1,760,000 mu, an increase of 210,000 mu over 1989, and gross output should exceed 6 million tons, an increase of more than 700,000 tons over the previous pressing season. Sugar output should reach 600,000 tons, an increase of 90,000 tons over the previous pressing season. At present, Yunnan has 76 machine-processed sugar mills, with a daily pressing capacity of nearly 60,000 tons, and an annual sugar output capacity of 650,000 tons.

During the Eighth Five-Year Plan, Yunnan plans to produce 10 million to 12 million tons of sugar cane and 1 million tons of sugar. The provincial government has decided to develop sugar production bases in five prefectures and 20 counties in the southwest, total investment will be 250 million yuan and should be completed in three years.

Anhui 1991 Summer Grain Area

91P30122A Hefei ANHUI RIBAO in Chinese
25 Feb 91 p 1

[Summary] The summer grain area in Anhui Province is 33,190,000 mu, and the rape area is 13,550,000 mu.

Sichuan 1991 Crop Output Plans

91P30120B Chengdu SICHUAN RIBAO in Chinese
26 Feb 91 p 2

[Summary] In 1991 Sichuan Province plans to produce 43,660,000 tons of grain; 10,250,000 tons of cotton; 1,620,000 tons of oil crops; 2,550,000 tons of sugarcane; and remove 58 million porkers from inventory.

Hunan One Ton Grain Area

91P30120A Changsha HUNAN RIBAO in Chinese
4 Mar 91 p 1

[Summary] Hunan Province has 6,568,000 mu capable of producing more than one ton of grain, and in 1990 the per mu yield of the one ton grain area was 1015.5 kilograms.

Scientists Make Breakthrough in Developing Hybrid Wheat

OW2903174891 Beijing XINHUA in English
0816 GMT 29 Mar 91

[Text] Xi'an, March 29 (XINHUA)—Chinese scientists have made a new breakthrough in developing hybrid wheat that will bring about revolutionary changes in the country's wheat production.

A research project sponsored by the Ministry of Agriculture has produced a number of hybrid wheat strains that

can raise per unit output by at least 15 percent. These new strains will be cultivated in large areas in the next five years.

Experts predicted that the new strains, if sown on 6.6 million ha—one seventh of the country's wheat-growing area, can increase the national wheat output by at least five million tons.

For many years, scientists throughout the world have tried to exploit heterosis or hybrid vigor in agricultural production. So far, they have succeeded in developing hybrid strains of corn, sorghum, rice and rape.

The exploitation of heterosis is not easy, because only the first generation offspring exhibit the desired characteristics of both parents in greater measure. Therefore, the parental lines must be maintained and crossed for each new crop.

China was the first country in the world to exploit heterosis in rice production. In the mid-1970s, Chinese scientists developed the three lines—male sterile, maintenance and restoration—that are necessary for reproducing hybrid rice. The achievement was hailed as the beginning on another "green revolution."

In the 1980s China listed the development of hybrid wheat as a top-priority project in its Sixth and Seventh Five-Year Plans. In 1988 Chinese scientists again developed the three lines necessary for hybrid wheat.

Since then, the Ministry of Agriculture has organized scientists from 25 colleges and research institutes in eight provinces to breed the desired hybrid wheat strains.

After experimenting with over 4,000 combinations, the scientists have developed a number of new strains that are resistant to plant diseases and lodging, and yield heavier ears and grains.

He Beiru, an associate professor at the Northwest Agricultural University, developed three hybrid wheat strains that can increase per unit output by at least 30 percent.

Now, the scientists are developing more hybrid wheat strains that are suitable for various localities and climates, which is necessary for cultivating hybrid wheat throughout the country.

Shandong Holds Aquatic Products Industrial Meeting

SK0104065591 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 31 Mar 91

[Excerpts] From 29 to 31 March in Jinan, the provincial government held the aquatic products industrial work conference to sum up and exchange the experiences that the aquatic products industry gained during the Seventh Five-Year Plan period and to study and arrange the fisheries development plan in the Eighth Five-Year Plan period.

Shandong should persist in the method of paying attention to both fish farming and fish catching. While positively grasping the deep-sea fishing industry, we should focus our efforts on developing new fish farming resources. We should also integrate production with processing and marketing, and take the path of making fisheries, industry, and commerce a coordinated process. At present, there is much potential for developing both the marine and freshwater fish farming industries. Marine fisheries is the major sector of the province's fish farming industry. So, we must firmly attend to the development of marine fisheries and never ignore the development of freshwater fish farming. It is necessary to develop the range and quality of freshwater and marine fish production.

Vice Governor Li Chunting presented four opinions in his work report. [passage omitted]

Li Chunting said: During the Eighth Five-Year Plan period, the province should make four breakthroughs in fish production. By 1995, the output of aquatic products should surpass 2.2 million tons, the fisheries output value should surpass 10 billion yuan, the output of aquatic products through cultivation should surpass 1.1 million tons, and the foreign exchange earnings from exports of aquatic products should surpass 300 million yuan, respectively 100 percent more than in 1990. [passage omitted]

Crop Pest, Disease Control Improves Harvest

HK0204042891 Beijing CHINA DAILY in English
2 Apr 91 p 3

[By staff reporter Wang Dongtai]

[Text] Ministry of Agriculture officials say last year's record harvest was achieved largely as a result of work carried out to control crop pests and diseases.

An accumulated total of 224 million hectares of summer and autumn crops were affected by pests or diseases last year, they said, adding that 204 million hectares out of the total had been successfully treated with pesticide.

This was 20 million hectares up on the figure for 1989, the officials said.

And Wang Chunbo, an official with the National Plant Protection Station, said a total of 33 million tons of grain had been saved last year thanks to the efforts of workers in the country's 400 forecasting stations, 5,380 crop hospitals and 50,000 crop disease prevention teams.

Their work had also helped to save 670 million kilograms of cotton, said Wang, who collected the data at a recent conference held in Fujian Province.

Chemical herbicide had been used on 20 million hectares of crops and 5.3 billion kilograms of grain had been saved as a result, he said.

Chemicals were also used to kill rats on 14 million hectares of farmland, thereby saving 1.5 billion kilograms of grain.

The government spent 4.5 million yuan (\$860,000) on advanced equipment for forecasting the incidence of pests and diseases last year, Wang said, adding that this was 1.6 million yuan (\$310,000) up on the figure for 1989.

Local governments throughout the country had also paid great attention to the work of preventing and treating diseases and pests, he said.

In Gansu Province, for example, 660,000 hectares of wheat were saved from wheat rust disease last year. The provincial governor and deputy governor had examined the situation in the fields and allocated 6 million yuan (\$1.2 million) to be used to buy pesticide and spraying machines, he said.

But problems still existed, he admitted. Coordination between production and commercial agencies was poor, so pesticide often did not reach the places where it was needed.

Because of this, he said, more than 1 billion kilograms of grain had been lost last year.

Another problem was the lack of investment in the prevention and treatment work, Wang said. The ministry allocated 100,000 yuan (\$19,000) a year to the country's 400 forecasting stations but this was not enough.

Jilin Vice Governor Speaks at Grain Work Conference

SK0404044191 Changchun Jilin Provincial Service
in Mandarin 2200 GMT 3 Apr 91

[Text] We should clearly understand the current situation, map out countermeasures, deepen reform, advance despite difficulties, and strive to effect a new favorable turn in the province's grain work. This is the central discussion subject of the provincial grain work conference, which ended on 3 April.

Last year, despite fund shortages and limited storage capacity, vast numbers of workers and staff members of grain departments throughout the province raced against time to procure grain, and, as a result, more than 93 percent of newly harvested grain was procured from peasants. This has effectively protected peasants' initiative, and positively contributed to stabilizing the overall situation and the feelings of the people. How should we ensure the fulfillment of the central task of preventing grain from rotting, delivering to the state as much grain as possible, reducing losses, and procuring good grain, given the new situation where there are both problems and achievements in grain work and there is hope of effecting a favorable turn? For this question, Provincial Vice Governor Wu Yixia emphasized in his speech: We should go all out to further strengthen the sense of

responsibility and the sense of urgency in doing the grain work. We should also strengthen the sense of reform, and make great efforts to improve grain management. We should deepen the reform within grain enterprises in the following three aspects. First, we should further perfect various kinds of contract responsibility systems, and closely integrate the personal interests of all workers and staff members with the production quotas they are responsible for. Second, we should reform and perfect the fund management system, cut expenditures, and reduce burdens on financial departments. Third, we should perfect the reform of labor and wage systems, strengthen labor management, and streamline organizations in order to raise the per-capita labor productivity onto a new level.

On how to launch the year's activity of quality, variety, and efficiency, Wu Yixia demanded: Grain departments should attach importance to technological transformation, should readjust product mix in a timely manner in line with market demands, and should improve efficiency by making scientific and technological progress, developing new products, and enlivening management in order to make grain enterprises gradually become economic entities characterized by independent operation and sole responsibility for profits and losses.

Wu Yixia emphasized in conclusion: All localities and departments should strengthen leadership over the grain work. All professions and trades should solve problems and create a fine external environment for grain enterprises, and should enable grain enterprises to extricate themselves from difficult situations as quickly as possible so that we can raise the province's grain work onto a new level.

Sichuan Succeeds in Building Farmland, Irrigation Works

*HK0104084891 Chengdu Sichuan Provincial Service
in Mandarin 1015 GMT 28 Mar 91*

[Excerpts] The province-wide campaign to expand the capital construction of farmland and water conservancy projects for the winter-spring period has come to a successful close.

According to incomplete statistics, by 20 March, the capital investment in the construction of farmland and irrigation works had totaled 700 million yuan, and the labor investment 1 billion yuan, an increase of 11 and 12.5 percent respectively over the same period last year. A total of 730,000 irrigation projects of various types were completed, bringing an additional 6.28 million mu of land under irrigation. [passage omitted]

The current campaign to expand farmland and build more conservancy projects began last September, one month earlier than the previous year and was in full swing immediately.

Viewed as a whole, the quality and results are better and the scale greater than the previous year.

Shandong Holds Grain Trade Conference in Taian

*SK0504091191 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 4 Apr 91*

[Text] It was learned from the provincial grain and oil-bearing crops trading work conference held in Taian on 4 April that the volume of grain and oil-bearing crops purchased and marketed at negotiated prices covered by the provincial plans outstripped the volume purchased and marketed at parity prices for four years in a row.

Grain experts attending the conference held that the emergence of this situation, on the one hand, showed that our province has paid attention to agricultural production and the increase in commodity grain, and on the other hand, this showed that the state has gradually improved the structure of prices and ensured the increase in the income of peasants.

This year the volume of contract peanuts purchased and marketed at parity prices was reduced from 350 million kg to 200 million kg. This means that 150 million kg of peanuts will be sold at negotiated prices instead of parity prices and peasants will get more money from the sales. In line with the recently issued central policy on cutting the purchase of parity-price grain and oil-bearing crops and taking full responsibility for price readjustment, all localities across the province have promulgated programs on cutting the marketing of parity-price grain and oil-bearing crops one after another. The province's grain contract purchasing task is 2.81 million tons, a decline of 250,000 tons from that of five years ago.

This provincial grain and oil-bearing crops trading work conference also decided that grain and oil-bearing crop departments should promptly purchase the portion cut from the parity-price grain and oil-bearing crops, base themselves on the province's actual conditions, gear themselves to the needs of the whole country, keep their eyes on the whole world, and play a role as main channels in market regulation so as to avoid peasants' difficulties in selling grains.

Anhui Farmers Purchasing More Machinery

*OW0804111191 Beijing XINHUA in English
1050 GMT 8 Apr 91*

[Text] Hefei, April 8 (XINHUA)—Farmers in Anhui Province, one of China's major grain producers, are spending more on purchasing tractors and other farm machinery.

Wang Sheyun, deputy governor of Anhui, said the province had 581,000 tractors with a total of 1,307 kilowatts of power by the end of 1990, 2.3 and 1.56 times that of 1985 respectively. The increase rate is bigger than the national average.

To boost grain output and counteract a shortage of labor, farmers in this east China province have spent a total of 2.57 billion yuan in purchasing tractors and other farm machinery over the past five years.

Hui Yougang, director of the Luan Hand-Driven Tractor Plant, said his plant turns out 30,000 tractors a year, up from only 3,000 five years ago. However, the number still falls short of demand, he noted.

Semi-Embryo Experiment Produces First Calf

*OW0904185291 Beijing XINHUA in English
1325 GMT 9 Apr 91*

[Text] Beijing, April 9 (XINHUA)—Chinese scientists recorded a bioengineering breakthrough when their test tube cultured semi-embryo developed into a calf.

The male calf was born on April 4 at the Institute of Animal Science under the Chinese Academy of Agricultural Sciences.

Scientists at the Beijing-based institute first cut a test tube fertilized embryo into two halves.

During the 12 hours that followed, the two halves developed into two complete embryos and were implanted into a cow.

After a period of gestation, one of the two embryos developed into a normal and healthy calf.

Since 1990, the births of 13 test-tube calves have been reported in China.

The success of this semi-embryo experiment has opened up a new approach to animal husbandry and laid the foundation for future animal gene research.

Larger Area Allocated To Grow More Oil Crops

*OW0904035691 Beijing XINHUA in English
0243 GMT 9 Apr 91*

[Text] Beijing, April 9 (XINHUA)—The total area devoted to oil crops in China is expected to reach 11.3 million ha this year.

This means that the country has increased the oil-crop areas for three years running.

A survey made by the State Statistics Bureau covering 70,000 farmers in 800 counties across China, shows that rapeseed areas are expected to increase by eight percent this year. Last year, the country planted 533,000 ha more rapeseed than in 1989. The sesame and peanut areas will also increase respectively by seven percent and one percent this year.

The bureau also revealed that most provinces in China will plant more oil crops this year. Central China's Hunan Province will increase its oil crop-growing areas by 15 percent this year, ranking first in the country. The area of oil crops in Jiangxi Province will increase by 12 percent.

It is learned that rapeseed-growing areas increased by 12 percent after the state decided to raise the purchase price of oil crops by a big margin last year.

In addition, edible oils are selling well and governments at all levels are supporting the production of oil crops with funds and materials.

Country To Import Cheaper Australian Wool

*HK1104053291 Beijing CHINA DAILY in English
11 Apr 91 p 2*

[By staff reporter Xu Yuanchao]

[Text] China is expected to import Australian wool 30 percent cheaper than before following the Australian Government's decision to cut prices to encourage exports to developing countries.

Peter Dixon, special trade commissioner of the Australian Trade Commission, made the remark at a press conference in Beijing on Tuesday.

Dixon was heading an Australian delegation to the Sixth Meeting of the Australia-China Joint Work Group on Wool sponsored by the Ministry of Textile Industry.

Regarding wool exports, Dixon said, China is a very important market to Australia.

The Australian Government has recently made a number of significant decisions which have reduced the price of Australian wool and increased the ability of China to compete on the Australian market for textile products.

Dixon said Australia has lowered the price of Australian wool in the world market which will enable China to purchase Australian wool at "a reasonable price."

Australia also announced that there will be significant reductions in Australian import tariffs on textiles, clothing and foot wear, which is expected to be of particular interest to China.

The move reduces the level of protection for Australian producers of clothing and textiles.

Dixon said the Australian Government has also decided to gradually remove a number of China's competitors on the Australian market from the list of developing countries and regions which enjoy preferential customs treatment. These countries and regions include Singapore, South Korea, Hong Kong and Taiwan.

Over the past five to six years, China has imported Australian wool at a rate of 50,000 tons a year. The figure declined to 14,000 tons last year from 80,000 tons in the peak year of 1988, according to the Ministry of Textile Industry.

In the first quarter of this year, China imported about 10,000 tons of wool from Australia. Dixon predicted that China will buy more wool from Australia in the remaining months of this year.

He disclosed that a Chinese purchasing group was now in Australia exploring more contracts.

Australia is still a major supplier of imported wool to China. He said his country and the International Wool Secretariat are working closely with Chinese authorities to improve the quality of China's export products.

At the government level, the two countries have a technical cooperation program to provide assistance to improve the efficiency and quality of China's textile industry.

At the same time, there are a number of Australian nongovernmental financial institutions who will discuss with China the possibility of short-term export credit to enable the country to purchase wool, he said.

Wang Daotong, Nuclear Submarine Worker

91CM0303A Beijing SHENJIAN [DIVINE SWORD]
in Chinese No 12, 5 Dec 90 pp 8-10

[Article by Zhang Wenlu (1728 2429 6922): "Wang Daotong and Nuclear Submarines"]

[Text] Nuclear submarine—these two heavy words are written in the history books of the republic, and in the life of Wang Daotong [3769 6670 2717].

One day 23 years ago as a huge red sun was setting on the Bo Hai, Wang Daotong set foot on the grounds of a nuclear submarine factory, but he was certain he had gotten off the train at the wrong stop. He looked in all directions and saw nothing but a beach sandwiched between two barren mountains. There were no factory buildings, no roads, and no compound walls or gates. The kings of this world were knee-high weeds and wild rabbits. In only 19 hours he had traveled hundreds of kilometers from the thriving coastal metropolis of Dalian to this desolate gully. Wang Daotong's heart sank, but when he learned that he would be working on nuclear submarines, his mood rebounded in a hurry. He threw down his baggage and strode briskly to a well to see whether the water here was sweet or bitter. Without a doubt, life here was quite difficult. He was to live in a low, damp temporary shelter. There were no tables or chairs. When he studied or wrote letters he had to prop up his books and papers on his knees or lay them on a crate. In the deep of winter he bathed with cold water. His solitary life became for him a still and silent study hall. Amidst the clanging and commotion of the factory's construction, Wang Daotong tore hungrily into his studies on nuclear submarine technology, and buzzed like a honeybee from one drawing to another. When construction of the first nuclear submarine began, Wang Daotong was made chief of the turbine workshop's armament section. The hard living conditions and heavy work load got the better of the tough-as-nails Wang Daotong. As he lay in bed, Wang grew unbearably restless. When he heard people talking outside his door he shouted out:

"Who is it? Come in!"

It was some of the workers in his section. Apparently they had encountered a problem.

"So what are you just standing there for? Why don't you carry me on down there?" So it was that the sick Wang Daotong was carried on a plank to the smoke-filled hold of the ship. The banging of hammers, the hiss of melting brazing rods, and Wang's loud instructions combined to form a unique sort of symphony.

Wang Daotong was totally devoted to nuclear submarines, but he completely ignored his own family. He got a letter from his wife. It was the second one in which she told him of the family's dire straits. All three of his daughters were sick, and his wife, left to her own resources, could hardly handle the situation. "Daotong,

please come back soon..." His wife's heart rending plea cut Wang like a knife, but perhaps this is where the men are separated from the boys. Wang Daotong wadded up the priceless letter from home and threw it into the tossing waves of the Sea of Bohai, then strode on to the submarine, which was undergoing a mooring trial. Two years later Wang Daotong was promoted to chief of the ship acceptance team.

His work required that Wang Daotong expand the scope of his knowledge, so from turbines he went on to learn about electrical engineering, piping systems, hulls, loading and unloading, and—the heart of a nuclear submarine—nuclear reactors. It sounds a bit strange, but on his work identification card Wang Daotong is listed as having gone only to primary school. However, the fiercely determined Wang ended up going to an even bigger school: ever since he began working he had constantly been learning. Practically everything, including workshops, dormitories, and offices, became his classroom. He always learned from specialists in all areas, including new university graduates, key engineers, and experienced older workers. His knowledge, like a railroad track, was added to and laid firmly in place one section at a time. Today, Wang Daotong directs production, but he also works on new technical problems all the time.

During experiments on the torpedo launching system, it was discovered that antirecoil system was not absorbing any recoil. The huge piston rod was rushing forward like a charging tiger, and it had pummeled the rubber backstop to pieces. When Wang Daotong discovers a roadblock, he goes to see the problem. He crouched down, peering like a falcon at the crashing piston rod. Suddenly, with a shout, he rolled out a greasy sheet of drafting paper and accurately pointed out the source of the problem. At his suggestion, the institute adjusted the design by reducing the size of a special hole, after which the antirecoil device began to function properly. The piston rod was no longer a wild, galloping horse.

During a test navigation run, a major roadblock was encountered—the main pump broke down. The nuclear submarine was forced to stop the test run. With an air of determination, Wang Daotong tore into the task "with his cudgel flying." He and two others proposed making a change to the circular seals. Their idea was a huge success. The nuclear submarine once again steamed spiritedly toward the open seas.

The hatch to the launch tube of a certain guided-missile submarine had trouble opening, especially under water, where it would only open two-thirds of the way. It was like a person with bursitis who could not lift his arm. It was apparent that this launch tube was not usable. With the design institute and the manufacturers trapped on the river bank, Wang Daotong punted a flatboat over to the submarine. He opened up the gap between the hatch and the hull and added a sufficient quantity of grease

and the problem was quickly solved. A cream-colored missile roared from deep beneath the ocean surface into the blue sky.

The reactor's drive mechanism is one of the most important pieces of equipment in a nuclear submarine. Because the clearances in this reactor were too tight, the control rods often got stuck, which was very dangerous. Everyone involved in the experiment was very anxious about the situation. As is common knowledge, the consequences of an accident involving a nuclear reactor would be too horrible to contemplate. Wang Daotong led a group of technicians to the reactor. As he peered through the hard stainless steel spindle casing of the drive mechanism, Wang's eyes lit up as he exclaimed, "That'll do the trick!" He drew out a sketch on a piece of paper, and his plan worked. The nuclear submarine had hurdled another barrier.

On the front line of nuclear submarine work, Wang Daotong often led the charge against all sorts of obstacles, and he sometimes put his life in danger in the process. All of the nuclear submarine's considerable power comes from its reactor, and the greatest challenges also come from the reactor. Once when a certain submarine went to sea a problem arose with the reactor. There were only two options: either return to port or enter the reactor and fix it. The head of the shift that day asked permission to go in and do the job, but Wang held him back and said, "No, you're the head of shift. They need you where you are. I'd better go in myself." In the central control room, Wang carefully examined the scene on the monitors, changed into a white work suit, grabbed a set of special tools, and headed toward the reactor chamber's lead door. Before he reached the door the safety officer stopped him.

"We have to take a reading of you before you go in."

"Forget it. The more readings the more nervous I get."

"No. It's the rules."

"I know it's the rules. Wait until I'm finished and then take a reading."

The lead door opened and everyone at the scene grew tense. The reactor had just been operating at high power and the generator was still hanging overhead. Its power must still have been at least at 10 percent, and the radioactive material... Jesus! It had to be terrible! A blast of hot air rushed out as if someone had just lifted the lid off a steaming wok. Wang Daotong ducked back for an instant, lowered his head, and charged into the reactor chamber. Everyone heard the clanking sound of Wang's tools, but Wang himself was deep in the chamber, out of sight. One minute, two minutes, three minutes... Everyone was staring at their wristwatches. At last Wang came out. From a 140-degree Celsius reactor chamber, Wang came out.

"Commander Wang!" A single cry rose from everyone's lips as they rushed to greet him. Wang was soaked with sweat, which was running in rivers from his neck.

"Hurry up, close the door! Tell the bridge we can start moving again!"

"Just a second. Let's read your dosage before we close the door." The dosage reader carried his instrument over, but Wang stopped him, saying:

"What dosage? Hurry up and get back to your positions so we can get going with the test again." The lead door clanged shut, so we will never know how much radiation Wang Daotong took.

With a long list of accomplishments, Wang Daotong became the deputy head of the factory, but he remained a worker with sweat on his brow, grease on his hands, and rust marks on his clothing—China is not yet to the point where people sit in front of monitors directing production. This was how Wang Daotong inspected his world. With this as his basic *modus operandi*, Wang got deeply involved in actual work. Not only did he resolve many concrete problems, but he also organized quite a number of mooring trials and test cruises at sea, receiving praise from various scientific research units in the factory and the Navy. Just when Wang was at the peak of his productivity, a diploma craze swept the nuclear submarine manufacturing base. As he spread out his callused hands over a stack of red, maroon, blue, and navy blue university and vocational school diplomas, Wang asked to retire from his post as deputy factory head. People were guessing that he would want to dust off his fishing rods and head to the seacoast for a comfortable retirement, but Wang Daotong never left the ships, and his spirit of decisive action continued to resonate throughout the nuclear submarine construction and test sites. When the nuclear submarine was ready for deep submergence testing, Wang Daotong, in his capacity as assistant to the factory head, led a team to take part. Before leaving, Wang only told his family that he was going on a long trip, but from subtle hints in Wang's behavior his wife was able to discern that something unusual was going on. Wang Daotong, who had never taken much of an interest in daily affairs at home, was suddenly concerned about everything. His wife pressed him to find out what was going on, and Wang pretended to be angry, roaring, "What are you nagging me about? It's not like I'm going off to die!" When the word "die" passed his lips, Wang's heart skipped a beat. This test was not exactly run-of-the-mill. The submarine was going to descend to the limit of its design tolerance, and the dangers were obvious. A U.S. submarine once lost contact with the surface at 200 meters during a test, and in the end it sank to the bottom of the sea...

As the nuclear submarine steamed through the blue sea, waves broke across its long, beautiful hull, and a long, broad wake trailed like a river behind the ship all the way to the horizon. Wang Daotong, who was standing on the command platform, suddenly pricked up his ears.

Relying on his many years of experience with the ship acceptance team, he discovered an important problem lying in wait for an opportunity to wreak havoc. The rubber seal on one of the hatches had broken, giving off a hissing sound of escaping air. Wang Daotong immediately got a group together to fix the problem, which was in the stern almost beneath the water line. Whoever fixed it would have to be extremely careful. Wang grabbed a rope and tied it around his waist, but the others intervened: "Are you kidding? We can't let an old fella' like you do this!" After the problem was fixed, Wang Daotong had performed one more great service for the nuclear submarines.

The Chinese nuclear submarine was cruising along at an undisclosed depth, and everyone on the ship seemed to be walking on eggs. As the hull endured the strong pressure of the seawater it emitted frightening groans. In the silent depths, it sounded especially scary...

Creak... Groan...

The ship continued to descend. "A hatch is leaking!" "Another hatch is leaking!" Water was leaking in drops at first, then a thin stream, and finally gushing as if from a broken spigot. "Should we report it to command?" The crew discussed it among themselves.

One of the workers resolutely stated, "No. Wang Daotong told us not to go reporting every little thing." The workers in every compartment had been instructed by Wang Daotong not to report any problem unless there was a real emergency and they had no choice, so as not to discourage the commander from going through with the test. The ship continued to descend, and as it changed shape, the floor in one of the compartments bowed upward. The workers sitting nearby all stood up together; they held their breath, and their blood stopped flowing, but no one reported it to command. The ship had descended to the limit.

After the deep descent had succeeded and the ship had successfully emerged again at the surface, the iron-willed Wang Daotong broke into tears...

For 23 years, the factory and the ships were home for Wang Daotong. He worked hard on the nuclear submarines, and the people have not forgotten him, nor has the fatherland. Three shiny medals hang from his chest: a First-Class Prize for Meritorious Service to the China Shipbuilding Corporation, a Special-Class State Prize for Scientific and Technological Progress, and the 1988 State Prize for Young and Middle-Aged Technical Management Personnel with Outstanding Contributions. After this series of accomplishments, Wang Daotong said with deep feeling to reporters, "I will never forget the movie I watched about the 1895 Sino-Japanese War. China's coastline is so long. How can we get by without decent warships? It has been a great honor for me to work on nuclear submarines, and I would be happy to keep on working on them for the rest of my life." Perhaps that is what has inspired Wang Daotong all along.

Air-to-Air Missile Test Fails

91CM0282A Beijing JIEFANGJUN SHENGHUO
[PLA LIFE] in Chinese No 1, 13 Jan 91 pp 22-23

[Article by Ding Haijiao (0002 3189 2786) and Chen Hanzhong (7315 3352 1813): "Missile Nearly Blows Up While Still Attached to Plane"]

[Text] The sky was so blue, and the sun so pleasant. The mid-autumn sky of the northwest was like the vast, emerald green Tai Hu. A "silver bird" with a long, long tail was streaking across the heavens.

It was a high-speed fighter jet, at that moment carrying two missiles and flying at XX kilometers per hour to a designated area to test-fire a new type of air-to-air missile.

The pilot prepared for the final minute prior to launch.

"017, fire, fire!" The order to launch was transmitted from ground.

"017, roger!" The pilot, Xu Zhongwei [6079 1813 0251], answered and flipped the firing switch. The exciting moment was about to arrive, and his voice quavered slightly.

Xu Zhongwei held his breath, opened his eyes wide, and the light ring of the aiming device locked on steadily to the target drone. The signal allowing launch was blinking, and "a force of 1,000 pounds" was resting under the control of the pilot's index finger.

"Click." He depressed the trigger.

Two seconds, three seconds, five seconds, eight seconds... Oh no! The aircraft did not bank to one side and shake like it should when a missile is fired. There was no trail of fire out in front, and no smoke under the wing.

The missile didn't fire! It could blow at any time right under the wing...

I

With his aircraft carrying an ignited missile at 10,000 meters, the pilot, only 27 years old, was facing a severe test.

On the runway, numerous pairs of anxious eyes peered into the blue sky, and many nervous hearts were constricting, constricting...

In the cockpit, Xu Zhongwei had not let up on the finger pressing the trigger. He realized his predicament—if the missile blew up underneath the wing, the aircraft, with him in it, would crash into the boundless desert, where even the wreckage of the aircraft might be impossible to find.

"017, be calm, be brave! Keep an eye on the condition of the missile!" The anxious voice of the controller in the tower sounded in his headset.

It was just what the old regiment commander had told him so solemnly the night before on a dark pathway through the camp: "The test-firing of this missile is very important for the modernization of national defense. No matter what comes up, you have to remember the honor of our unit. You have to be brave and calm!"

And now, at the key moment in this life-or-death crisis, he realized the weight of those words.

"017! Brave, calm. Roger!" He repeated the controller's order and coolly gripped the stick. Suddenly the aircraft shook violently. He scanned the instruments and realized that he had run into some rare northwestern high-altitude turbulence. The cockpit was shaking, and the aircraft, with a missile in tow, bobbed up and down in the crests and troughs of the turbulence like a sampan in the ocean. He knew that if he mishandled the aircraft and caused the missile to explode, to say nothing of losing his life, the loss to the party and the revolution would be incalculable. He gently pushed the stick, stepped on the rudder pedal, and pulled on the stick, thus jerking the aircraft into a sharp climb to avoid the turbulence. He glanced at the missile below the wing, found it unaffected, and his pounding heart slowed down a bit. A thin line of sweat broke out on his forehead. He handled the aircraft, only just back from the brink of disaster, as if it were a rowboat placidly floating on Xuanwu Lake in Nanjing.

II

Outside the cockpit the sky was still as blue as ever. The plane piloted by Xu Zhongwei was streaking across the sky. The missile, its trigger pulled, still hung beneath the wing like an unpredictable sleeping lion. No one knew whether it would "roar" in a few seconds or a few minutes and commit atmospheric "homicide."

The controller and the scientists below the tower had all clearly seen the frightening launch failure and the encounter with strong turbulence.

"017! 017!" They were not getting any response from Xu Zhongwei. The radar antenna was rotating rapidly, and sweat was flowing from everyone's clenched fists.

His concentration on his flying had caused him to forget to answer the calls from the ground.

"017, there's blue smoke under your wing!"

"017, alert! Take emergency measures! Take emergency measures!" The controller was shouting into the microphone.

"017, roger! 017, roger!"

The regulations state that under special circumstances, such as when a missile explodes prematurely or fails to launch, the pilot has the right to take emergency measures, which in this instance undoubtedly meant to dump the missile.

The button to dump the missile was right in front of him. The only thing required was a touch of the finger, like taking a photograph, and in an instant the missile would take the danger with it down to the vast desert.

So should he dump the missile or land with it? Xu Zhongwei faced the decision with his life on the line.

Cold light glinted from the missile under the wing. It had been totally designed and manufactured in China. Each part was the crystallization of the blood and sweat of our scientists, and every datum was worth a thousand ounces of gold. Why had the missile failed to launch? How might it be improved? What was the cause? If it were dumped, it would not just be a matter of losing a missile worth hundreds of thousands of renminbi; it would mean many unanswerable riddles.

No, that would be ignominy to a pilot. As long as the plane was flying, he would fly; as long as there was a missile to take back, he would do the job; if the plane went down, he would go down with it.

"The blue smoke has disappeared. 017 requests permission to land with the missile."

When he pulled the trigger for launch, he had been hoping the missile would take off right away, but now he was worried lest it get away.

With a "boom," flames fill the sky and bomb fragments fly in all directions as the missile which has failed to launch suddenly explodes. The aircraft breaks up and the only thing left in the sky is the still undispersed smoke and a white parachute...

That type of accident often happened with fellow units during test flights, but this time it was threatening to happen to Xu Zhongwei himself. Even worse, there may not be enough time for his parachute to open up.

The dump button flashed in front of his eyes once more, but he quickly diverted his glance to the speedometer, where the red needle was approaching the limit.

At this moment when life hung in the balance, did he think of the fact that you only live once? Did he think of his wife, who had come from far away to see him and was now down below looking into the sky? Did he think of his unborn baby? Or his father, in the hospital with lung cancer? No, he thought of nothing except landing with the missile and delivering it intact to the scientists.

III

The aircraft roared past the airfield, reduced altitude, and dropped down to 600 meters upon the orders of the controller. He flew by the tower and requested permission to land.

Directly ahead of the aircraft was a row of base houses and the playground of a school belonging to the base where a bunch of Young Pioneers with red bandannas around their necks were arrayed in orderly rows. He

would not allow himself to cause further accidental loss of state property or life. He stepped on the left rudder and veered away from the buildings like a boat avoiding a reef.

The landing was the last and most important act. The jolt of the landing might cause to happen on the runway all the things which had not happened in the air, and, if so, the only fate for the pilot was to be torn apart.

A crosswind of eight meters per second was blowing across the airfield. That would be nothing under normal circumstances, but now it was a factor that could not be ignored.

The landing gear was down, the aircraft slowly reduced altitude, and the sacred mission was forcing the pilot to knock once more "at hell's door."

He had practically stopped breathing. The only sound was the pounding of his heart. He slowly maneuvered the plane, steadily approached the runway, and kept one hand lightly on the stick...

With a screech, the a cloud of blue smoke arose on the runway and the plane shuddered. The pilot gripped the control stick tightly, gave it a light pull, and the nose of the aircraft pulled up ever so slightly as the craft landed on the runway. A cream-colored brake chute opened up behind...

The plane stopped roaring. The sky was so blue. At the end of the runway, the silver nose pointed out toward the distant horizon. As the pilot looked toward the crowds of people rushing toward him, the tense nerves that had carried him through the crisis relaxed, and his vision blurred.

The defect in the missile was quickly repaired. The next day, Xu Zhongwei flew again into the sky with a new launching device.

EAST REGION

Analysis of Jiangsu Rural Cadre Job Dissatisfaction

91CM0344A Shanghai XIANDAI LINGDAO
[CONTEMPORARY LEADERSHIP] in Chinese No 1,
25 Jan 91 pp 44-45

[Article by Cao Shixin (2580 1102 2450), deputy secretary of the CPC Committee in Xiangshui County, Jiangsu Province: "A Study of and Ways To Counter the Urban Yearnings of Rural Cadres"; XIANDAI LINGDAO is published by the Shanghai branch of the China Management Sciences Research Institute]

[Text] The inclination to leave the rural areas and return to the cities has become an increasingly glaring issue in recent years among national level cadres working in northern Jiangsu's rural areas. If it is not taken seriously

and resolved by the parties concerned, it will directly affect the morale and initiative of our rural cadres, and become an obstacle to the party and state's rural work, and to the fundamental status of agriculture in particular. We recently sent questionnaires to rural cadres throughout Xiangshui County and conducted a special follow-up survey in order to study and explore such items as working conditions, morale, the key factors involved in dissatisfaction with rural work, and steps necessary to counter them.

An Analysis of Current Job Dissatisfaction Among Rural Cadres

While Xiangshui County's 16 township organs have an authorized strength of 525 cadres, their actual current staff size is only 468. Of the 432 questionnaires sent out, 318 were returned. According to the replies received, the current state of morale among rural cadres is as follows:

Table 1

Category		Totals	Satisfied		Fairly Satisfied		Less Than Satisfied		Dissatisfied	
Totals		318	133	41.8%	104	32.7%	62	19.5%	19	5.9%
Job category	Leading cadres	73	17	23.3%	28	38.4%	23	31.5%	5	6.8%
	Departmental cadres	245	116	47.3%	76	31%	39	15.9%	14	5.7%
Cadre category	Cadres engaged, but not withdrawn from producing	54	39	72.2%	15	27.8%				
	National-level cadres	264	94	35.6%	89	33.7%	62	23.5%	19	7.2%

Individual job assignments were as follows:

Table 2

Category		Totals	Appointed to Current Job		Transferred to County Seat		Transferred to Rural Areas		On-Site Job Change		Specialized		Transferred to Enterprises	
Totals		318	156	49%	104	32.7%	19	5.9%	14	4.4%	22	5.9%	3	0.9%
Job category	Leading cadres	73	28	38.4%	34	46.6%	2	2.7%	1	1.3%	8	11%		
	Departmental cadres	245	128	52.2%	70	28.6%	17	6.9%	13	5.3%	14	5.7%	3	1.2%
Cadre category	Cadres engaged, but not withdrawn from producing	54	42	77.8%	3	5.5%	4	7.4%	3	5.6%	2	3.7%		
	National-level cadres	264	114	43.2%	101	38.2%	15	5.7%	11	4.2%	20	7.6%	3	1.1%

These two tables show that morale is still good among most rural cadres, despite their current rather difficult conditions and fairly great work difficulties. While most of them willingly bear the burden of office, perform their jobs conscientiously, and make positive contributions to building both the material and spiritual civilizations in the rural areas, some comrades are now certainly dissatisfied or less than satisfied with rural jobs, and the yearnings among them to "move up in rank" or "move back to the cities" are prevalent and, in some cases, especially strong. The questionnaire shows that 81 cadres, or 25.4 percent of those who

replied, were dissatisfied or less than satisfied with their jobs, and that 104, or 32.7 percent of the respondents, asked to be transferred to jobs in the county seat. Personnel department organizers think that even more cadres are actually inclined to leave rural areas and return to the cities. It is understandable that some comrades were unwilling to reveal in a questionnaire their true feelings about leaving the rural areas and returning to the cities, and preferred to not mention them rather than bring them up only to find them unrequited. This mentality was probably not confined to the 150 who were not sent or did not return the questionnaires.

This questionnaire tells us that all of the dissatisfaction with rural work comes from official national-level cadres, while almost none of those engaged as cadres but not withdrawn from producing showed any such dissatisfaction. The dissatisfaction can be classified in detail as follows: 1) Leading cadres, with rural leading cadres showing more dissatisfaction than ordinary cadres: The 81 cadres who were dissatisfied or less than satisfied included 28, or 38.3 percent, of leading cadres; and 53, or only about 21.6 percent, of ordinary cadres. And the 104 cadres who asked to be transferred to jobs in the county seat included 34, or 46.6 percent, of leading cadres; and 70, or only 28.6 percent of ordinary cadres. 2) Both male and female cadres with permanent jobs. 3) Cadres who have been allowed to change their residence registrations from "peasant to nonpeasant" in recent years out of consideration for their dependents and children. 4) Young cadres who have been assigned to short-term rural jobs after graduation. Most of the cadres were 40-50 years of age. This shows that the dissatisfaction was more evident among key rural cadres. Some repeatedly asked personnel department organizers or county leaders for transfers to the county seat, others simply first sent their spouses and children to the county seat, creating de facto separate residences, and a few even pressed for organizational transfers by performing their jobs poorly and with low morale.

The Key Factors That Affect Rural Cadre Morale

1. Great work difficulties: Since the system of contracted responsibilities linked to output on a household basis went into effect in the rural areas, great changes have occurred in rural work contents, priorities, and methods, and the work has become much harder than before. Completion of the more difficult jobs, such as "collecting profits and taxes," family planning, collecting grain harvest taxes, and starting work on riverbanks in particular, basically requires rural cadres to have face-to-face "confrontations" with the masses, or to rely on mandatory shock tactics. These so-called "grain-crushing, money collection, and nuisance" jobs are both difficult and tiring, and are sometimes even misunderstood by both leaders and the masses. Not performing them leads to criticism from the higher authorities, while performing them too strictly brings anger and even beating and cursing from the masses. There were 111, or about 34.9 percent of the 318 respondents to the questionnaire, who reported great rural work difficulties, which was the primary factor in job dissatisfaction among rural cadres.

2. Poor rural working conditions, reflected mainly as follows: a) Inadequate public transportation: While there are now roads connecting the county seat to all townships, too few and unreliable bus runs mean constant inconveniences in getting to the county seat for meetings or work, and terrible difficulties in getting out whenever it rains or snows, especially in remote townships. b) Poor working and living conditions: Many rural cadres have to live and work in the same place, and some do not have complete office furnishings. Some townships have too few personnel eating in mess halls to provide regular

meals, and unmarried cadres sometimes do not get enough to eat or drink, particularly on their days off. c) Unsatisfactory medical conditions: Commune hospitals in most townships have insufficient health workers, simple and crude equipment, and poor technical competence, so that even slightly complicated illnesses can be diagnosed only in the county seat hospital.

3. The following family worries: a) That their children will have difficulty getting educations and finding jobs—teaching conditions and educational quality in rural public schools are still far inferior to those in the county seat. Some cadres are concerned about their children finding it difficult to grow up to be useful if they attend rural public schools. The children of rural cadres also have difficulty finding jobs, because there are not as many jobs in rural areas as in the county seat, and township enterprise economic efficiency is also poor. The survey found that 61 cadres, or 19.2 percent of those surveyed, were dissatisfied with rural jobs because of the educational and employment problems it caused for their children. b) That allowances would not be made for their real family difficulties—there were 185, or 58 percent of the 318 who were surveyed, whose families lived in the county seat or other towns. This includes 71, or 22 percent, whose families lived in the county seat; and 114, or 36 percent, whose families lived in other towns. When these cadres were working away from home, they could not make prompt arrangements or give the proper attention to family problems. The main concerns among cadres whose families lived in the county seat, were about their childrens' discipline and academic supervision and guidance, about their children having problems, and over missing and feeling anxious about them. In addition, young cadres have trouble finding mates in rural areas, and often ask to leave the rural areas and return to the cities to find mates, which is a key factor in some young cadres not wanting rural jobs.

While these are objective factors in rural cadre morale, the lack of dedication, seeking after ease and comfort, and the immobility of urban and rural cadres are the key inherent factors in cadre dissatisfaction with rural work. The lack of normal vigor in ideological and political indoctrination in recent years has left some cadres unwilling to work at the grassroots level or in rural or difficult areas. Along with less willingness to take part in arduous struggle and less dedication, there are more comparisons of pay and treatment. This survey shows that 80 percent of the 318 rural cadres who were surveyed felt that rural work wages were too low, conditions were too difficult, the work was too hard, and salaries were not up to those of cadres working in county-level organs. Many cadres working in the county seat were unwilling to take rural jobs, even if they meant promotions. Some rural cadres used all the pull they could to get transferred to the county seat, and were successful if they worked at it hard enough. These people improperly overemphasized individual interests, wanting their organizations to show them consideration, but not being willing to subject themselves to organizational discipline. The lack of mobility between urban and rural

cadres has created a contradictory situation for rural cadres. That is, the more cadres are unwilling to take rural jobs, the more difficult it is for rural cadres to get transferred to the county seat, which has exacerbated the dissatisfaction with rural jobs. It has still been impossible to fill the 57 empty rural job slots in the 16 townships throughout Xiangshui County.

Suggested Steps To Improve Rural Cadre Morale

The rural areas are our party and government's bridge to the peasant masses, and our forward position for indoctrinating, rallying, and relying on peasants to develop our rural commodity economy. As the quality and morale of our corps of rural cadres have a direct impact not only on party and rural work, but also on the overall situation in a particular region, we must take conscientious steps to improve their morale and do everything possible to arouse their work initiative. Thus, we are making the following suggestions:

1. We must improve our ideological indoctrination and strive to enhance the ideological and political consciousness of county and township cadres. This is the basic and irreplaceable way to improve the morale of rural cadres. As our ideological and political indoctrination of cadres must be regularized and institutionalized, we can use forms such as training, meetings, party lectures, and private heart-to-heart talks to justly and forcefully indoctrinate our vast numbers of cadres in such areas as our ideals, aims, traditions, and party spirit and discipline. It is worth noting that, because leading rural cadres are the backbone of our corps of rural cadres, we must make higher and more rigorous demands on them, instead of treating them too leniently.
2. We must enhance the competence of our corps of rural cadres, and truly regard the rural areas as the major front for training and tempering cadres. We could begin in the following areas: a) Higher level leading organs should pay attention to promoting cadres from rural grassroots levels. b) A system of mobility for urban and rural cadres should be established. c) High school and college graduates should be encouraged to take jobs in rural areas. d) A number of cadres who are engaged but not withdrawn from production should be suitably engaged to work in rural organs.
3. All parties must work hard and in coordination to gradually eliminate the family cares of rural cadres, by drawing up certain preferential policies to gradually help rural cadres resolve certain real difficulties. Moreover, more national-level cadres should be induced to volunteer for rural jobs. The following steps should be taken: a) Wages of rural cadres should be appropriately increased. b) The dependents of some rural cadres should be given preference in changing their status from peasant to nonpeasant. c) Conscientious steps should be taken to give rural organs logistical guarantees, in order to create better working conditions. d) Higher level leading organs should give rural cadres more understanding and support.

NORTHEAST REGION

Views on People's Historical Role Compared

91CM0283A Harbin FENDOU [STRUGGLE]
in Chinese No 1, 1 Jan 91 pp 14-15

[Article in "Special Discussion" column by Ma Chunwa (7456 2504 1216): "A Correct Understanding of the Masses' Historical Role and Function"]

[Text] The issue of the masses' historical role and function is an important part of the materialist conception of history; it is the core of the Marxist conception of the masses. As the party proceeds to study the Marxist philosophy seriously and put into effect the decisions of the Sixth Plenary Session of the 13th party Central Committee, it no doubt is absolutely essential to our effort to bring order out of chaos in the ideological and theoretical fronts and to uphold the correct direction of the socialist modernization with Chinese characteristics that we use the basic principle of Marxist historical materialism as our guide to criticize the viewpoint of historical idealism propagated by the wave of bourgeois liberalization and to correctly understand and evaluate the masses' historical role and historical function.

To understand correctly the masses' historical role and historical function, we should start out with the decisive effects of the modes of production on society's historical development and acknowledge the masses' principal role as makers of history. Who are the main forces behind the making of history? On this question, historical materialism and historical idealism offer sharply contrasting answers. From the point of historical materialism, historical activities are the masses' undertaking, and the masses are the masters of history. Conversely, from the point of historical idealism, history is made by heroes and prominent people; the masses are but the muddle-headed mortals who set off the heroes and the prominent, and they are but accessories. During the floods of bourgeois liberalization ideologies that swept the country on previous occasions, some people tried to completely deny the Chinese nationality's tradition and culture and greatly exaggerated the so-called "deep-rooted bad habits" inherent in the Chinese nationality and painted the workers and peasants as an uneducated, ignorant and backward, ideologically conservative and ossified bunch, the social base that obstructed all reforms; they painted the intellectuals as people who had attached themselves to certain political cliques and had lost their individuality. At the same time, they imported the "theory of running the country by the best and the brightest" and proclaimed the bourgeois liberal "elites" to be the omnipotent saviors. Such nonsense is, in fact, the propagation of the long-theoretically bankrupt "historical heroism."

According to Marxism, the most primitive element that decides the history of society's development is the production mode, that is, the unification of productive forces and production relations. This is because the

premise of the making of human history is survival and development. Thus, the production and reproduction of material goods to feed, clothe, and shelter the people and the inevitable subsequent production relations become the foundation of all historical activities and historical development of human society. That is why we say that the masses are not only the main creators of society's material civilization, they are also the main creators of mankind's spiritual civilization. Separated from the masses, human history will lose its basic condition and premise. Our affirmation of the masses' principal role as the makers of history does not imply that they changed the course of history by participating in high-level decisionmaking during a certain era or historical event. Instead, they usually influence the course of history through a kind of social force majeure created by their interests, wishes, will, and demands, so that the ruling class or political group must make a decision or a choice, whether voluntarily or involuntarily, which in turn affects the course of history. In socialist historical conditions, there is no more conflict between the production relations and the productive forces, so the people can express their will, wishes, and demands through their personal representative—the CPC. As makers of history, the masses' role as socialist masters has won political and legal recognition and protection under China's socialist system. This is the essential difference between our historical era and social formation and any other.

To understand correctly the masses' historical role and function, we should also confirm the masses' dynamic role in the course of history from the point of view of the inherent laws within the developmental changes of modes of production. The Marxists are certain that "people, and only people, are the motive force that causes world history to be made." Those who deal with bourgeois liberalization have come up with their "obstruction theory." Under the guise of evaluating the peasant uprisings and the peasant wars throughout the history of China, they refute Comrade Mao Zedong's famous thesis which states that, "in China's feudal society, only this kind of peasant class struggle, peasant uprising, and peasant war is the true motive force behind our historical development." They suggest that the peasant uprisings and peasant wars are only social disturbances, and in turn they reject the conclusion that the masses are the motive force behind the making of world history, and they also insinuate that the CPC-led people's revolutionary struggle in which the peasants played a dominant role was but a social disturbance. Worse yet, some even suggest that the whole course of struggle against imperialism by the Chinese people since 1840 has but obstructed the historical advancement of Chinese society, that is, it has prevented the development of capitalism in China. The author of *He Shang* [River Elegy] suggested that what put Chinese society through periodic turmoil as wild as the Huang He were the constant peasant wars which caused frequent changes in dynasties and ruined society's productive forces, and also the "super-stable structure" of the Chinese feudal society's single small-scale peasant economy which made

it impossible for China to set up a capitalist system sooner. Supposedly, the root cause of all these is the closed "yellow civilization" nurtured by China's geographic conditions, and based on the "theory that the environment decides everything," they arrived at their systematic "obstruction theory." According to this theory, it seems that in the course of several thousand years of historical development, besides being an obstacle, the Chinese people have done nothing good. The truth of the matter is, the "theory that the environment decides everything" on which the "obstruction theory" is based is but the expression of the vulgar materialist and mechanical materialist concept of history. The "theory that the environment decides everything" in fact secretly substitutes vulgar and mechanical materialism for dialectical materialism and historical materialism, and in essence, it is but a variety of the idealist conception of history. Marxism admits that, as the material base for human survival and development, geographical conditions play an important role in influencing and constraining the course of human civilization. But the material factor which plays the decisive role in determining historical development is not geography, but society's modes of production. The effect of geography on the course of human history in essence can be characterized as the relationship between man and nature, and human beings who engage in activities that make history are not animals; they do not simply adapt passively to nature but have the initiative and the ability to change nature so that it suits the needs of human survival and development. This ability is our productive forces which include science and technology and is not the natural environment. If one attributes the decisive role in the development of human history to geographic conditions, one is looking at the material factors and not the human factors, and of course one will not see the mighty power of the masses, and this is what gave rise to some people's inert, pessimistic theses.

The most active and most revolutionary elements in the production modes are the productive forces. The attributes inherent in the productive forces continuously bring before the production relations one historical demand and historical mission after another, and in this way, they give impetus to the development and advancement of human history. No matter in which historical period and under what kind of social formation, it is the masses who make up the bulk of the productive forces. The active and revolutionary nature innate in the productive forces are transformed externally into a driving force that lets the masses give impetus to the course of history. This is the basic conclusion and the theoretical and practical basis of the materialist conception of history regarding the effect of the masses on the course of historical development. Those who subscribe to the "theory that the environment decides everything" are only playing down and vilifying the historical role of the masses.

To understand correctly the historical role and historical function of the masses, we must also affirm the masses'

leading role in determining the course of history through the internal law of development and change in the modes of production. The masses' choice of direction in which history is heading at a given time and in a given society is the actual manifestation of the masses' historical function and spirit of historical initiative; it is the reflection of the internal law of historical development. Those who deal in bourgeois liberalization are either using "the theory of the West as center" as their starting point to question and chastise history and blame China's feudal society for not setting up a "suzerain manor system" like the West, or they are using "wholesale Westernization" as departure point to deny reality and to blame the Chinese people for choosing the socialist road. They suggest that the practice of socialism in China has gone beyond society's historical development and is striving for "utopia" and therefore we need a "remedial course in capitalism," and if necessary, we should even run a "300-year colony." They are bent on leading the Chinese people onto the capitalist road which they themselves have chosen and designated. This frivolous and reckless attitude toward history and the people proves that, except for class prejudices and political prejudices, they have nothing and are extremely lacking in scientific ideology and attitude.

The fact of the matter is, the Chinese people's choice in the course of history is not something accidental or something arbitrary to please themselves. There is an irresistible historical inevitability. This inevitability lies in the fact that old China was a semicolonial and semifeudal society. Although the capitalist commodity economy was small and weak and could not completely replace the natural economy, it was nevertheless a more progressive and advanced social formation than the natural economy, and therefore it became a new production mode. If allowed to follow its own normal law of development, capitalist production relations would sooner or later grow, develop, and establish themselves in China. But after capitalism reached the monopoly stage, they would not allow China to freely develop the stage of capitalism, because this would deprive them of a huge raw material and commodity market. This resulted in the following trend: First, the Chinese feudal society which was based on the natural economy was destroyed

and a new, more advanced socioeconomic formation based on the commodity economy was born in China, and this was an inevitability. Second, the emergence of the new, more advanced socioeconomic formation in China was already equipped with the necessary economic base, that is, China did not go directly from total feudalism to socialism, bypassing capitalism; rather, it made the jump after capitalism had already established some kind of foundation here. Third, besides the internal factors, the restrictions imposed by the capitalist world were also an important factor why the Chinese people did not follow the capitalist path. In addition, both socialism and capitalism are the products of modern, big industries. In a purely economic sense, their historical missions are to modernize the traditional industrial sector and society's lifestyle. Everything that can be accomplished through the capitalist production mode not only can also be achieved through the socialist production mode, but because of the superiority of the system itself, and by means of a simpler and less painful path, socialism can accomplish what capitalism cannot accomplish. This is the historical inevitability and the rationale behind the Chinese people's choice of the socialist way.

In modern times, different classes and different political groups and social forces have engaged in long-term, repeated trials of strength over the question of which way China should go. At the end, socialism not capitalism was chosen. This in itself reflects a historical inevitability. Engels pointed out in his famous theory of the combined forces of history that people make history consciously according to their own interests and wishes, but because different people have different interests and different wishes, the result is many different applied forces which form innumerable rectangles of forces, and history moves on under the combined effects of these rectangles of forces, and the result is never what certain social groups or certain people subjectively wished for. What plays a decisive role is the force generated by the will, wishes, and demands of the majority of the people who share the same or similar basic interests. This huge force plays the lead role in selecting the course of history. The Chinese people's choice of the socialist direction in history ultimately is the result of this guiding effect.

Development of Hi-Tech Enterprises

91CE0252A Taipei TIENHSIA [COMMON WEALTH]
in Chinese No 115, 1 Dec 90 pp 62-66

[Article by Chang Yu-wen (1728 3768 2429): "Take New Steps Toward High Science and Technology—Scientific Garden Zone (1)"]

[Text] In the past 10 years, the Hsinchu Scientific Garden Zone (SGZ) has developed from a tea plantation on a mountain range to today's scientific and technological city where star manufacturers gather and whose annual output value is 50 billion Taiwan dollars, leading to the great transformation of Taiwan's industry. After its 10th birthday, in what direction will the SGZ take its new steps?

It was the beginning of winter, but the famous Hsinchu wind did not feel cold. Small groups of police unusually appeared on the sides of the broad 4-lane road in the SGZ. It was not a sign that there were any security problems in the SGZ where public security has always been good. The police was there only to step up patrol for the visit of Costa Rican president and his wife.

It was not the first time the SGZ received the head of a state. Many Chinese and foreigners have visited this zone. There were over 11,000 visitors to the zone in 1989.

Locomotive of Economic Transformation

This land which nurtured many tea plantations 10 years ago now protects numerous hi-tech industrial plants, breeds Taiwan's hi-tech industry, and uses the hi-tech image to decorate the shop front of our country.

To respond to the changes in economic situation, the Hsinchu Scientific and Industrial Garden Zone, which was founded in 1980 following the processing export and industrial zones, has taken on the mission of importing hi-tech industries and enabling them to take root and grow. When traditional industries are gradually losing their advantages, the SGZ has "become the locomotive of economic transformation," remarked Ma Nanhsien [7456 7181 0341], director of the program examination department of the State Science Commission.

After 10 years of development, the SGZ now has eight scientific and technological (S&T) industries and has developed some star companies such as Hungchi, Shenta, Chuanyou, and Taiyang. The SGZ as a whole is also developing by leaps and bounds. On 400 hectares of developed land, the number of manufacturers grew from seven in 1980 to 113 in October 1990. By the end of 1989, the total amount of accumulated capital reached 28.1 billion Taiwan dollars, the total output value soared from 3 billion in 1983 to 55.9 billion in 1989, and the number of employees also increased sharply from over 3,500 to near 20,000.

A Dynamic Atmosphere

Manufactures in the SGZ which enjoy exceptional advantages seem to be not too concerned about the recession. Domestic investment desire was low and growth, slow in 1990. But, companies in the SGZ which have a grip on the profit base seem to be indifferent toward this and continue to forge ahead. For instance, relying on the new product of color image scanner, the Chuanyou Computer is estimated to grow 50 percent in 1990. The Taiwan Weike Company, which produces hard disk drives, is also expecting a 25 percent growth.

The movement of investment in the SGZ did not stop because of the recession. The Hungyou Science and Technology spent at least 4 to 5 million Taiwan dollars on across-the-board computerization of the company. The Lienhua Electronics, Huapang Electronics, Taiyang Science and Technology, Shenta Computer are all planning to expand. The atmosphere in the SGZ is dynamic.

A Specially Fertilized Nursery

"The name of the SGZ has become an asset. We should protect this name," Hsueh Hsiang-chuan [5641 7449 1557], director of the SGZ administration, proudly stated.

The Hsinchu SGZ has become a popular name and a hi-tech image has been established. But under the dazzling aura, what significance does the special economic zone, in which the government has invested near 10 billion Taiwan dollars, really have in regard to industry?

Like a specially fertilized nursery, the SGZ has grown many hi-tech saplings. Some of them are especially eye-catching (star companies such as Chuanyou and Taiwan Weike), others have begun to grow taller and to spread their limbs and leaves (such as the system formed gradually by the semi-conductor industry). Some seeds have been sown and begun to strike roots outside the zone (such as S&T companies established around the zone).

Because the domestic hi-tech industry was a waste land in the past, attracting skilled overseas students to come back was a shortcut. Carrying with him the architect's design drawings and pictures of four buildings, the only four at the time, Ho I-tzu [0149 1355 1964], first director of the administration, traveled all over the United States to give briefings. "We were trying to 'sell' the SGZ at the time. As long as one or two succeed, there will be no problems." Ho I-tzu, now director of the resource planning commission, said.

An Elite Team

Examples of overseas students entering the SGZ in the early period are Chuanyou's Wang Po-po [3769 3258 3258], Taiyang's Hsieh Chi-chia [6200 0366 0857], Tungshun's Liu Chao-kai [0491 0340 0418]. Recent examples are managing teams of Wanghong Electronics and China Electronic Communications. In addition to

making contributions to their own country, they can attain a different plane in their personal career. Tsou Chih-cheng [6760 1807 2052], who lived in the United States for 15 years and returned to Taiwan in 1990 to work as the deputy manager of the Hanlei Science and Technology, explained how overseas students feel. He said: "In foreign companies, no matter what you do, it is very difficult to get promoted to high-level executive. It is easier in Taiwan."

In addition to the working and living environment of the SGZ, which is much superior than the outside, What attracts these talents the most is that Taiwan has low-paid but high-quality engineers. When individual or small groups of overseas scholars return with technology, the nearby Chiaotung and Chinghua universities and the Industrial Research Institute will provide a group of engineers who are highly qualified, who learn fast, and whose salary requirement is lower than overseas engineers. These engineers are the best support of manpower.

Another aspect is that the technology developed at home will have the opportunity to become commercialized thanks to the SGZ. For instance, the Industrial Research Institute has transferred the manufacturing technology of integrated circuit to the Lianhua Electronics, and the Institute of Opto-electronics has transferred the technology of hard disk drives to the Maoching Science and Technology. Shih Chin-tai [0670 2953 3141], vice president of the Industrial Research Institute, said: "When the technologies of the Industrial Research Institute need to be transferred abroad, the SGZ provides an environment, a nearby access."

An Industrial System Takes Form

In addition to the fact that young saplings are striking roots and growing strong in the SGZ, what is more important is that they can continue to reproduce. One of the methods is branching. In other words, people trained in the SGZ come out to found new companies. For instance, the management team of the Hungyou Science and Technology came from the Chuanyou Computer, and the Hotai Semi-conductor originated from the Taihsin Semi-conductor. Another method is forming the industrial systems of primary and end products. Of the eight S&T industries in the SGZ, except for computers and their accessories, which have the highest output value, and semi-conductor products, which have the second highest output value, the remaining six of the eight S&T industries of the SGZ are of a moderate scale. The total output value of the former two industries accounts for over 80 percent of the total output value of the SGZ. We can already see examples indicating that a system is being formed.

For instance, the industry of hard disk drive, which is a peripheral product, has emerged in embryonic form. Except for magnetic heads whose supply is still dependent on Japan, the Maoching Science and Technology in the SGZ has already had the capability to manufacture hard disk drives, thanks to the technology transfer from

the Industrial Research Institute. Plus the hard disks of the Kaite Company and the motors of the Chientung Company, it has laid a foundation for the hard disk drive industry.

The semi-conductor industry is an example of success developed completely within the boundary of the SGZ under the guidance of the Industrial Research Institute. In 1975 the Industrial Research Institute cooperated with the RCA company of the United States in importing the manufacturing technology of integrated circuit and establishing a demonstration factory of integrated circuit. The success of this plan gave Taiwan the capability and technology to produce integrated circuit. In 1980 the Lianhua Electronics was founded successfully in the SGZ under the guidance of the Industrial Research Institute, thus successfully transferring technologies to the private sector. Shortly after other IC factories were founded one after another in the SGZ. This led to the founding of over 50 designing companies outside the SGZ. As a result, a semi-conductor industry including designing, manufacturing, packaging, and testing is taking form.

Seeds Sown Outside the SGZ

While nurturing young saplings within its boundary, the SGZ has also sown seeds outside. Many hi-tech and pertinent companies have been founded in the Hsinchu area around the SGZ. Some are located temporarily outside the SGZ, waiting for the approval to move in. Others have stricken roots outside the SGZ.

Those manufacturers which stay temporarily outside the SGZ did so often to seize the opportunity of products. Hi-tech products change fast and is of short life expectancy. They require perfect timing. While there is a long line of manufacturers waiting to get into the SGZ and there is a shortage of land in the SGZ, some manufacturers are forced to settle outside the SGZ. The Chupang Science and Technology, which initially produced mainly magnetic tape machines, used to be located in the Lungshan community adjacent to the SGZ. After waiting for six months, it luckily got the approval to move into the SGZ in November 1990. But Liu Hsin-lai [0491 2450 0171], general manager of the Chupang Science and Technology who returned to Taiwan to start business after spending 13 years in the United States, still complained that they were supposed to move in in June and that the delay held up their progress.

However the Hsianghsi Science and Technology, which produces equipment for the automation of offices and project designing, is not so lucky. Its factory is temporarily located in Hsinchu City which is 10 minutes away by car from the SGZ. Liu Chingho [0491 3237 0735], assistant manager of the Hsianghsi Science and Technology wished very much to get in the SGZ, "but our products cannot wait."

The Gancheng Science and Technology represents another type that settles outside the SGZ. The Gancheng Science and Technology engages in the business of

packaging and testing which are the end processing of integrated circuit. Almost all of its clients are in the SGZ. Liu Cheng-lang [0491 3397 3186], Gancheng's general manager whose background is in Taiwan's integrated circuit, said that since the SGZ attaches little importance to such lower-level business, they decided after much deliberation to put their factory in Shanchungpu of Chutung Town which is 30 minutes away by car from the SGZ. Liu Cheng-lang said proudly: "Our factory's equipment is the same as that of manufacturers in the SGZ."

In addition, there are also manufacturers scattered around the area of Hsinchu County such as the Fuchang Semi-conductor of the Hsinchu Industrial Zone of the Hukou Township, the Hsintien Automation of Hsinfeng Township, and the Chinghua Electronics of Zhutung Town.

The SGZ is a man-made environment painstakingly molded by the government. The government has successfully guided and planned the development of the semi-conductor industry, but in which direction will it take the next step? What is its role in the planning of the SGZ?

The Vanguard of S&T Industries

Tsao Hsing-cheng [2580 5281 6134], general manager of the Lianhua Electronics, pointed out that the SGZ should "play the role of vanguard, so it should not do anything that can be done outside the zone." Hsieh Chi-chia [6200 0366 0857], general manager of the Taiyang Science and Technology, also agreed "that if our people already have the confidence, as long as land and factory sites are available, pertinent satellite factories do not necessarily have to be built within the SGZ."

The development of the S&T industry of the SGZ now has two directions: One is futuristic products. For instance, Hsueh Hsiang-chuan who has been in office for just a year, listed the opto-electronics industry as an industry to be given first consideration to be admitted into the zone. According to an investigation of the U.S. Department of Commerce, in 1990 the growth of the opto-electronics industry ranked the highest among all S&T industries. It is one of the future star industries.

Another is the component industry which urgently needs to be established in Taiwan. For instance, the Tech Semi-conductor Will produce DRAM, and LCD which are indispensable for the popular lap-top and notebook-style computers. These two critical component parts now are controlled by the Japanese, which is the same as strangling Taiwan's information industry. But these two products require a large amount of investment and the risks are high. The preferred rent and tax policies, low-rent land and factories, and the start-up investment funds of the Communications Bank in the SGZ "can help ease some of the risks," said Wang Kung [3769 1712], director of the Institute of the Industrial Economics of the Chungyang University.

In the development of either the opto-electronics or the component industry, Taiwan lacks far behind foreign countries. Does the SGZ have enough technological power to catch up?

As far as the proportion of research and development funds in the volume of business is concerned, the SGZ's 5.1 percent is higher than the 1 percent of domestic electronics industry. Judged by this, the SGZ has indeed invested a lot of money and manpower. But the SGZ is after all not a simple research zone. Instead, it is a production base which has to give equal consideration to manufacturing. Due to the survival of companies, it is hard to avoid emphasizing the part of commercialization.

Striving for the World Class

Liu Chih-ping [0491 3112 1627], deputy general manager of the Chienpang Consulting Firm, pointed out that the SGZ put more emphasis on the development and commercialization of products which are in the stage of expansion and maturity and have ready markets. Wang Ching-nan [3769 2529 0589], general manager of the Hungyou Science and Technology, also said that "we still have to work for world-class new technologies."

Hi-tech is the road Taiwan has to take in the future. The Hsinchu SGZ is the vanguard of the hi-tech industry. How to combine the force of the Industrial Research Institute, use strategic alliance to raise the technological level of the SGZ, and vigorously spread the results to areas outside the zone to give an impetus to the upgrading of the industry as a whole remains a great challenge to the SGZ in the future.

After 10 years of growing and expanding period, the Hsinchu SGZ has come to the stage of readjusting its steps and strengthening its body. Young saplings will eventually grown into tall trees.

Professors' Association Favors Independence

91CM0224A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 197, 23 Dec 90 pp 62-63

[Article by Chiu Ming-hui (6726 6900 6540) entitled: "Professors Raise 'Independence Faction' Flag—Taiwan Professors' Association Supplies Theoretical Basis for Taiwan Independence"]

[Text] The "Taiwan Professors' Association," which holds high its banner "approving Taiwan's independent sovereignty," officially announced its establishment the day after Huang Hua [7806 5478], who has supported Taiwan independence, was distinguished by having experienced 10 years of harsh treatment.

Ninety percent of the organization's 80 or more members hold doctoral degrees. The organization is deeply conscious of Taiwan's situation, and it has spoken out with a different voice in an academic community in

which "reunification" has become the mainstream position. The birth of the "Taiwan Professors' Association"—coming after the Democracy Foundation, which trumpets its opposition to Taiwan independence, held meetings to discuss reunification—appears to indicate that from now on a theoretical war over independence and reunification will be unavoidable in academic circles, and also appears to be symptomatic of a new trend.

The first director of the association, Lin Yu-ti [2651 3768 7555], has stated that because people traditionally look to professors and because society respects them, using professors' organization as a name will help publicize the group's positions. One member of the preparatory committee, Chen I-shen [7115 0308 3234], believes that in the past Kuomintang veterans asserted that "Taiwan independence was the sphere of a small group of people." He said that this was unhealthy, and that the group hoped that there would be an impartial environment where the question of reunification or independence could be regularly put before the 20 million people of Taiwan.

On 24 November the seven-member preparatory committee produced by the National Policy Center's symposium convened a meeting of 40-50 professors at Taiwan University's Alumni Hall to make the final decisions on the regulations draft; this was separate from the second meeting of the Rule Drafting Committee presided over by Tzu Teng-lu [4793 5671 4151]. The second article, which establishes the organization's aims, generated tremendous, lengthy discussion.

The crux of the problem was the decision on whether to include in the regulations the words "approving Taiwan's independent sovereignty," which had appeared in the original draft. Some believed that these words in fact represented the position of the Taiwan Professors' Association, and that if this sentence were omitted, the group would not be different from the Democracy Foundation. Some advocated changing approval to recognition, while others believed that the sentence should be changed to approving complete sovereignty or to "the happiness of 20 million people," in order to avoid meaningless wrangling. On the other hand, Taiwan University professor Chang Chung-tung [1728 1813 2767] pointed out that "seeking independent sovereignty for Taiwan," is obviously a clear-cut position. The dispute over this clause was finally put to a vote, and the original wording was retained.

One association member who was unwilling to provide his name pointed out that he hoped this would not become a prominent topic, so that they could avoid positions that were too diametrically opposed. This professor, who personally witnessed the tragedy of the 28 February 1947 uprising and the period of White Terror, said that he could understand the backfiring attitude young people had towards the current political situation. He said he could approve of their position, although he also did not strongly advocate independence for Taiwan,

and he thought that the most important thing was being able to safeguard people's happiness.

Due to the pronounced coloring of the independence faction, in the preparatory period some public order units have used this opportunity to try to further understand the regulations, but they have not yet been successful. One sponsor, Hsu Yang-ming [6079 7122 2494], says that during that period, there was quite a lot of telephone activity among several of the people in charge, and senior people could not get through, as though there were people monitoring the situation. Not long after he was elected deputy head of the association, Chang Chao-ting [1728 2507 7844], head of the Atomic Molecular Research Institute at the Central Research Institute, received special "attention" from the National Science Council.

Members of the Taiwan Professors' Association are divided into five groups: the humanities, legal-political, socioeconomic, scientific, and environmental protection. These groups are presided over respectively by Li Yong-ch'ih [2621 3057 3589], Hsu Ch'ing-hsiang [6079 1987 7160], Lin Mei-jung [2651 5019 1369], Lin Feng-ch'ing [2651 6646 1987], and Chu I-Hsu [2612 5030 2485]. In addition, 10 members of the Association of Intellectuals, which has consistently avoided the independence-reunification question, also joined, including Li Hung-hsi [2621 7703 4406], Liu Hsing-i [0491 1630 5030], and Chang Chung-tung. In addition to coming to offer congratulations on the establishment of the Taiwan Professors' Association, Yang Kuo-shu [2799 0948 2873] director of the Association of Intellectuals, also delivered a speech stating that although he does not support putting undue stress on the independence-reunification question, scholars who approve of it and are concerned with Taiwan should bravely stand up and provide their expertise.

Although it does not pay excessive attention to questions of provincial origins, the association has only a few members who are not natives of Taiwan. It generally goes without saying that there are relatively few non-native Taiwan figures who also approve of Taiwan independence; those who dare to advocate this position publicly are even scarcer. Thus the fact that Hsieh Chih-wei [6200 1807 0251], chairman of the German literature department at Tungwu University, and Taiwan University Medical Institute professors Yang Ming-lun [2799 2494 0243] and Chang Chung-tung have joined should be quite effective in getting people's attention.

Hsieh Chih-wei, who launched the student movement in March, stated that although he belonged to this organization which contained mostly native figures, there was still not the slightest difference in his feelings, because he completely approves of Taiwan. Chang Chung-tung hopes that by joining he can help resolve the native/non-native dispute.

The very day that the Taiwan Professors' Association was established, it published a statement edited by Liu Hsing-i, polished by Li Hsiao-feng [2621 4607 1496], and directed at the "Huang Hua case." The statement stressed that any exploratory program dealing with problems related to Taiwan's future must be respected as long as it does not stress military force. Lin Yu-ti also believes that in the future, at the least, various types of ideas should have equal room to develop, and there cannot be any toadying to the Chinese Communists in order to arbitrarily suppress Taiwan independence. At the same time, a portion of the association's members are concocting a plan to visit the local village jail and drop in on Huang Hua and his family.

Because of the activities associated with the March student movement and the May movement against military interference in politics, it was natural that, as a whole, professors hoped to see the association's establishment through and accelerate the democratization of Taiwanese politics, the freeing of academia, the development of social justice and economic fairness, and the promotion of education and environmental protection. Executive Committee member Chen I-shen stated that theirs is a dynamic academic organization, and each group will seek out a topic for discussion and research. In addition, using other media with a strong opposition color, they will start up newspaper columns, organize symposia and lectures directed at questions related to Taiwan's independent sovereignty and national approval, and launch and promote explanatory discussions.

Many members acknowledge that the Taiwan Professors' Association was to some extent established a result of the Democracy Foundation's clamoring so loudly for reunification. It was established to refute what the Democracy Foundation is saying, i.e., that "Taiwan independence has no theoretical base." The Professors' Association welcomes discussions by both sides. Lin Yu-ti points out that the Democracy Foundation often uses the idea that the Chinese Communists would attack Taiwan as its reason for opposing independence. He points out that the lack of an academic theory is a political reality, but he stresses that, "We have strong legal and political talents, which are capable of putting forward our theoretical basis."

In coming days, Taiwan society will head towards a serious struggle between those advocating independence and those advocating reunification. Does not the recent establishment of the Taiwan Professors' Association, which has peacefully increased the variables, mean that Taiwan's freedom of speech will become even more open? Will it become even more restricted? Will the theoretical war over independence and reunification become even more intellectual? Will it become even more intense? These questions merit close attention.

Columnist Comments on Upgrading Technology

91CE0393A Taipei CHING-CHI JIH-PAO in Chinese
20 Feb 91 p 2

[Article by the director of the Taipei branch of JAPAN INDUSTRIAL NEWS: "Extra Efforts Must Be Made To Upgrade Industrial Technology"]

[Text] The recent heightened concern in all countries about ensuring sources of energy, which is due to the outbreak of the Persian Gulf War, can be said to be causing renewed unease in the world order.

In fact, this unease is not only about sources of energy, but has also spread to various other areas, such as the environment, the food supply, and even the work force. Strictly speaking, "technology" is the only magic weapon that can be used under this changed order to surmount these problems and build up future strengths.

The continuing attempts by the government of the ROC to develop its economy in this new order, by researching, planning, and striving to upgrade its technology, are winning quite a bit of praise from the international community. As far as Taiwan, which is founded on trade and technology, is concerned, upgrading industrial technology is even more important than basic S&T. I think that upgrading technology must be made the focus of Taiwan's future technological development.

This is because Taiwan is now facing a period of industrial transition, in which upgrading industrial technology is going to be the most crucial factor in whether this industrial structure transition can be carried out successfully. If this transition from labor- to knowledge-intensive industry is successful, Taiwan will be able to maintain its economic growth, and even continue to expand.

A distinction that merits attention is that the so-called transition to knowledge-intensive industry certainly does not carry the negative connotation of abandoning labor-intensive industry completely, but rather the positive implication that Taiwan should move ahead toward knowledge-intensive industry from its labor-intensive industrial base, in which process technology will play a key leading role.

Japan is the best example in this respect. The major reason why Japan has been able to acquire such world-acclaimed economic might is that Japanese industrial circles have paid such special attention to, and unstintingly invested such an enormous amount of funds in, upgrading technology. Consequently, Japan not only has made a successful industrial transition, but also has become a scientific and technological power.

While the investment in technological development by Taiwanese industrial circles now stands at about 2 percent of its business turnover, Japan's averages 3 percent even for its engineering industry, which is its lowest

category, is about 5 percent for its electronics industry, and averages an even higher 10 percent for its highest-tech industries.

Thus, if Taiwan intends to upgrade its technology, Taiwanese enterprises should first increase their investment in the field of development. Even though investment in development should also be given more preferential tax treatment by the government, it must still rely basically on hard work by enterprises themselves. It can be inferred from Japan's experience that the investment aspirations of the business world are the motivation that promotes the upgrading of technology.

The usual ways of upgrading technology are through one's own research or by importing foreign technology, of which the latter is often more efficient in terms of both time and money. In fact, while many enterprises are now constantly importing foreign technology, the business world must keep an eye on the following priorities when assessing whether the technologies they import have genuine value:

First, they must have sound knowledge of the technologies that they wish to import. After new technology is imported, sighs of regret about "its not having lived up to its expectations" are often heard in the business world. The usual cause of these complaints are that the technologies imported by enterprises are not in line with their existing technical capabilities or product orientations.

It is even more obvious that the advanced the industry's technology, the greater the likelihood that doubts will arise when importing new technology. As enterprises with too weak technological bases often suspend their own research and planning when they are unable to apply the new technology that they have imported, they must first plan well how they can use new technology before importing it.

As far as technology transfers are concerned, advanced industrialized countries such as Japan are often criticized for their unwillingness to take the initiative in providing others with their technologies. This problem can be solved by an improvement in the immediate approach of technology-providing countries on one hand, and by a positive reorganization and deployment of the basic technological environment in technology-receiving countries (such as Taiwan) on the other. As Taiwan can be said to have the highest potential among Asian countries for assimilating various new technologies, it is believed to be capable of building a good technological base, even in a short amount of time.

Training of talented personnel is of primary importance. It takes manpower to develop even labor-saving and convenience machinery. Although the government is now paying much attention to training talented personnel, enterprises should not rely on the government alone, but rather must train talented personnel on their own.

It is not only technicians who must be trained, but also talented personnel who are able to take technology seriously and understand its significance. Only in this way can the whole society "acquire a sound impression of and confidence in technology."

If the above technological outlook can be established, the standoff between industrial and energy development and environmental protection can be eliminated, and Taiwan will naturally be able to transcend the various puzzling factors that are contributing to the unease throughout the world, and continue to maintain a high economic growth rate. In the course of things, Taiwan is then very likely to become an advanced industrialized country in the 21st century.

The last point I would like to emphasize is that Taiwan must have better coordination among industry, government, and academia for upgrading technology, in order to develop an organic system that can effectively coordinate the strengths of business and academic teaching and research institutes with government organizations.

Government research institutes have recently been putting the technology that they develop to nongovernmental use. If military research institutes would also apply their military technology to the people's livelihood, this would promote technological advances. As research achievements are not actually being adequately applied, the best way would be to conduct joint research beginning at the R&D stage.

Taiwan's prosperity has long been a focus of world attention. If this prosperity could be combined with its inherent technological strengths, Taiwan will certainly be able to become one of the world's leading countries.

Businessmen Shift to Longer-Term Mainland Investments

91CE0391A Taipei CHING-CHI JIH-PAO in Chinese
21 Feb 91 p 3

[Article by Liu Huilin (0491 1920 5259): "Taiwanese Businessmen Are Shifting to Longer-Term Mainland Investments; They Are Increasingly Buying Land Use Rights and Building Their Own Factories"]

[Text] An Industrial Bureau official has pointed out that Taiwanese businessmen are shifting from short- to longer-term investments in Mainland China by buying factories, purchasing rights to the use of land on which to build their own factories and living quarters, and even asking for tracts of land to develop on their own.

This Industrial Bureau official pointed out that while Taiwanese businessmen used to invest in mainland China mostly in ways, such as leasing factories, importing equipment, and carrying out simple assembly-line manufacturing, which were basically short-term investments, they have been increasingly buying use rights to land on which to build their own factories in the last half year, and their contracted investment periods

have lengthened from 15-20 years to 20-30 years. This shows that Taiwanese businessmen are gradually shifting to longer-term investments in Mainland China.

According to this Industrial Bureau official's analysis, the major reason why Taiwanese businessmen are gradually shifting from short- to longer-term investments in mainland China is that their experiences have gradually brought them to a better understanding of mainland conditions, and they are gradually shifting from investment in labor-intensive industries to higher-tech technology-intensive ones.

This official pointed out that while Taiwanese businessmen put their earlier investments in Mainland China mostly into cooperative industries that manufactured imported materials into labor-intensive products, such as electronics components, toys, textiles, footwear, umbrellas, leather goods, and plastics, which did not necessarily demand much investment concern, Taiwanese manufacturers and business firms have also recently been taking active steps to gradually invest more in wholly Taiwanese-owned higher-tech industries that produce goods, such as processed hides, hardware and machinery, industrial chemicals, electrical appliances, and automobile parts. Thus, Taiwanese manufacturers and business firms are making longer-term investments in Mainland China, which is also causing a rapid increase in the amount of money invested in Mainland China by Taiwanese businessmen.

Editorial Views Funding for Six-Year Plan

91CE0393B Taipei CHING-CHI JIH-PAO in Chinese
21 Feb 91 p 2

[Editorial: "The Funding Sources for Taiwan's National Construction Plan Should Be Chosen From an Overall Perspective"]

[Text] At a meeting of responsible Executive Yuan personnel on 19 February 1991, Prime Minister Hau Pei-Tsun said that Taiwan's Six-Year National Construction Plan is a general plan for which funding is also a general estimate, and that personnel from all units should reach a common understanding about its general orientation and composition, from which to study and plan its essential practicality, feasibility, and details. Moreover, he emphasized that the government's current duty is to help all government departments, legislative and polling organs, and the entire nation to understand the true state of Taiwan's national construction prospects for the next six years, and then to jointly strive to accomplish this grand national construction plan with the concerned participation and input of the entire nation. His statements not only set the key orientation for the national construction plan, but also showed his determination to implement it. While CHING-CHI JIH-PAO editorials have reviewed this national construction plan a number of times, this time we are taking an overall view of its funding sources and offering certain relevant views for reference only.

The crux of the Six-Year National Construction Plan seems to no longer be its policy objectives or orientation, but rather its funding sources or options. While its funding methods include tax increases, borrowing, selling off public enterprises, collecting project profit and standard fees, and even setting up automatic indemnity funds, its key ones are tax increases and borrowing. It seems that rather than assessing only the "individual" pros and cons of these two methods, it would be better for us to judge their application from an "overall" perspective in terms of time and space. The main points can be summed up as follows: 1) While in times of crisis or to meet the needs of building major projects, fund-raising through tax increases is too slow to save critical situations, and the only way is to sell government bonds to achieve immediate results, there should be limits on their sale to prevent inflation. 2) While real estate taxes come out of people's incomes, government bonds come out of their capital. Real estate taxes depend on taxpayer capability. If real estate tax increases exceed or approach the limits of taxpayer capability, their impact can cause social unrest. Government bonds depend on the abundance of market funds. Selling more bonds than the market can digest is bound to lead to inflation. 3) If the funds acquired from selling government bonds are used for production and construction, no harm will be done. But if they are used in nonproductive ways, they are bound to cause fiscal waste. 4) The fairness of selling government bonds depends on future generations enjoying decisive benefits from contemporary enterprises. If they do, there is no harm in selling bonds and making them share part of the burden. But leaving them with only burdens and no benefits would cause too much credit inflation and should be opposed. 5) The feasibility of selling government bonds depends on the borrowed and acquired economic benefits being greater than the sacrifices. If the production growth rate is greater than the subjective cost increase rate (the price for accepting the sacrifice), it is feasible to sell bonds. But if it is not, ways should be found to limit them. 6) Selling bonds can play a role in regulating the economic climate. During periods of economic decline, new taxes should not be levied to increase revenue, but bonds should be sold to absorb excess savings by taking advantage of increased buying power. But during periods of economic expansion, taxes should be increased and public expenditures should be reduced to regulate the economy.

Based on this account, while tax increases and borrowing are unavoidably interrelated, the decision as to which to use should depend on economic realities. In other words, tax increases or borrowing should be used according to their respective suitability. As using tax increases alone to fund the Six-Year National Construction Plan, which will need an estimated investment of \$8.2 trillion New Taiwan, would not do the job, borrowing is inevitable. During the current economic recession in particular, selling government bonds to increase the public investment, stimulate domestic demand, and raise investment aspirations, is even more urgent. What everyone is concerned about is the burden and squeeze put on

efficiency by bonds. This is because selling more bonds than nongovernmental capital can bear, which means borrowing, not only will saddle the government with repaying the capital with interest, but also will put a bigger burden on future generations. But a unanimous verdict has not yet been reached on the bond burden issue. If society could be simply categorized as wartime bond purchasers and postwar taxpayers, and these could be proved to be two separate generations, then the bond burden could be shifted onto future generations. However, the bond burden cannot be arbitrarily categorized or shifted onto future generations at will. Moreover, generations overlap and cannot be "artificially" broken down into categories. That is, as bond purchasers are not necessarily all in the older generation, and those who repay are not necessarily all in the younger generation, there may sometimes be cases of the same generation repaying itself. Going back a step, sharing out part of the burden to future generations still depends on their enjoying the benefits of the public facilities in which the money from bond sales was invested. In the currently proposed national construction plan, future generations will gain long-term benefits from the public projects that are built, i.e., the benefits they gain from the borrowing will be greater than the sacrifices that they share in.

As to the squeeze put on efficiency by bonds, the limited funds that public and private investors can earn on money markets will unavoidably raise interest rates, and may suppress national investment aspirations. The selling of a huge amount of bonds by the government over the next six years might reduce private borrowing, and the negative results from decreased private investment would cancel out part of the positive results from increased government expenditures. This squeeze on efficiency would occur mostly during periods of economic prosperity or expansion, but not during periods of economic depression. During the current low-key economic situation in which there are little private investment aspirations, the government's selling bonds to pay for national construction would not compete with private funds on money markets, i.e., it would not put a squeeze on efficiency. Rather, it would increase or promote domestic enterprise investment confidence. Thus, now is a suitable time to sell government bonds. Whereas raising real estate taxes at this time in an attempt to balance revenue and expenditure, would reduce national income faster. Thus, during periods of economic decline, expenditures should be increased, real estate taxes should be lowered, and bonds should be sold to increase effective demand and stimulate economic recovery. But during periods of economic expansion or prosperity, expenditures should be reduced, real estate taxes should be raised, and less bonds should be sold, in order to maintain economic growth along with stability. Only this kind of interrelated and coordinated use can reduce the shock of bond sales on the economic climate.

In summary, whether the funding sources for the national construction plan are tax increases or borrowing, they should be adjusted yearly according to the

changing objective climate and subjective factors. The current plans to sell bonds to fund national construction do not necessarily mean that bond sales are going to be relied on solely to fund the six-year plan, nor do the current plans to not raise real estate taxes necessarily mean that real estate taxes will not be raised during the next six years. We should opt for borrowing or tax increases from an overall perspective in terms of time and space, in order to reduce as much as possible their negative effects and increase their positive impact.

Entrepot Trade With China Tops \$4 Billion

91CE0391B Taipei CHING-CHI JIH-PAO in Chinese
22 Feb 91 p 7

[Article: "Entrepot Trade Between Taiwan and China Has Topped \$4 Billion; The Value of Taiwan's Entrepot Trade Imports Increased Over 30 Percent in 1990"]

[Text] An analysis of Hong Kong customs data, which was made on 21 February 1991 by the Taiwanese Ministry of Economics' National Trade Bureau, shows that entrepot trade across the Taiwan Straits reached \$4.043 billion in 1990, or 16.08 percent more than in 1989, with Taiwan's entrepot trade exports increasing 13.18 percent and our entrepot trade imports increasing 30.41 percent.

Hsu K'esheng [6079 2688 3932], director of the National Trade Bureau, said that future trade across the Taiwan Straits will depend on CPC policy, and that it would benefit from less CPC control. He remarked that the termination in May 1991 of the "period of mobilization to suppress the communist rebellion" would certainly not affect Taiwan's foreign economic relations and trade policy and intercourse with mainland China, and that there was no direct relation between them.

Hong Kong customs statistics show that while the volume of entrepot trade across the Taiwan Straits through Hong Kong for December 1990 increased 38.25 percent over that for December 1989, it was less in October and November 1990 than that for the same months in 1989. The volume of entrepot trade across the Taiwan Straits through Hong Kong accounted for 3.32 percent of Taiwan's foreign trade in 1990, with entrepot trade exports accounting for 4.88 percent of Taiwan's exports, and entrepot trade imports accounting for 1.4 percent of Taiwan's imports.

All of the goods exported by Taiwan to mainland China in 1990 were industrial raw materials, spare parts, and fittings, which were mostly man-made fiber gauze, accounting for 40.96 percent of Taiwan's entrepot trade exports, followed by mechanical equipment, electrical and electronics components, and plastics raw materials. It is worth noting that Taiwan's entrepot trade exports of key products, such as television picture tubes and bicycles, decreased in 1990. Taiwan's entrepot trade imports were mostly Chinese herbal medicine, with live or frozen fish and cigarettes coming in second and third.

The National Trade Bureau emphasized that entrepot trade across the Taiwan Straits in 1990 increased and decreased along with the fluctuations in CPC policy.

Government To Sell Out Shareholdings in Private Enterprises

91CE0391C Taipei CHING-CHI JIH-PAO in Chinese
24 Feb 91 p 1

[Article by Wang Ch'unjui (3769 4783 3843): "Government Institutions Decide To Sell Out Shareholdings in Private Enterprises"]

[Text] Institutions under the Ministry of Economics have \$2.9 billion Taiwan invested in 18 private enterprises. In order to achieve its goal of privatization, the Taiwanese Government has decided to sell out at once all of its stock rights, amounting to about \$600 million Taiwan, in eight of these private enterprises. This includes its 12 percent stock rights in the Taiwan Stock Exchange, which will have the most far-reaching impact, and is the biggest case of government institutions selling stock rights in private enterprises.

A government official said that the eight private enterprises in which government institutions are going to sell out all of their stock rights are the Taiwan Mihana Metals Company, Ltd, the China Notes Financial Shareholding Company, Ltd, the Fuch Shareholding Company, Ltd, the Yungchia Industrial Chemicals Shareholding Company, Ltd, the Taiwan Stock Exchange Shareholding Company, Ltd, the Taiwan Construction Company, the International Notes Financial Corporation, and the International Media Shareholding Company, Ltd, and that the particular form in which these stock rights will be sold out will be set by the Executive Yuan.

This government official said that notes companies and exchange stock rights will account for most of the first wave of sales of shareholdings in private enterprises, the major reason being that the original aim of investing in these enterprises was to give governmental coordination to the establishment of stock and money markets and, as this transitional policy has already accomplished its mission, all stock rights should be sold out to achieve the objective of genuine privatization.

The government shareholders in these eight private enterprises include the Taiwan Power Company, the China Petroleum Company, the Taiwan Sugar Company, the Taiwan Aluminum Company, the Taiwan Fertilizer Company, and the China Engineering Company, which issued a joint statement on 23 February 1991 that while they certainly did not know the particular form in which their stock rights would be sold out, they would fully cooperate with the policy.

This government official said that this plan to sell out shares involves about 9 percent of the government's holdings in private enterprises, or about one-half of its average 18.78 percent stock rights, and the \$600 million

Taiwan to be sold out is about 20 percent of its overall \$2.9 billion Taiwan investment in private enterprises, which can be called the biggest case of government institutions selling out stock rights in private enterprises.

Government statistics show that after selling out all stock rights in these eight private enterprises, government institutions will still have investments in 10 other private enterprises, such as the Lienya Electrical Machine-Making Shareholding Company, Ltd, the Chungmeiho Petrochemicals Corporation, the Tunglien Chemical Corporation, the Taiwan Vitamin B 12 Company, the U.S.-China Chiachi Feed Company, the China Structural Steel Company, the Taiwan Chloroethylene Industrial Enterprise, the Lienho Tati Engineering Consultants Corporation, the Kaohsiung Plastics Chemicals Corporation, the Taiwan Synthetic Petrochemicals Corporation, and the Chungkang Carbon Chemicals Corporation.

Official Predicts Economic Recovery, Credits Government

OW0603010291 Taipei CNA in English 1520 GMT
5 Mar 91

[Text] Taipei, March 5 (CNA): A ranking economics official forecast today that the Republic of China [ROC] economy may recover more quickly than the world economy because of government efforts to boost domestic demand.

Li Kuo-chao, a Council for Economic Planning and Development department chief, said the export-oriented [words indistinct] economy used to allow the world's economy when recovering from slowdowns.

The United States economy, the ROC's biggest export market, usually begins to recover three months ahead of the ROC economy, Li noted.

He pointed out that the influence of the world economy on the ROC economy has apparently shrunk since the sharp appreciation of the NT [new Taiwan dollar] forced the ROC to restructure its economy.

Manufacturers have diversified export markets, and the government has acted to boost domestic demand, he continued.

Still this did not prevent an unusual phenomenon—the ROC economy began to slow down ahead of the global economy, according to Li.

As a result of the economic transition, he said, foreign and domestic demand are now of equal importance to the ROC economy.

Li explained that domestic demand now takes a 92 percent share of the gross national product, compared with 77 percent in 1986, an indication that the ROC's economic "self-autonomy" has increased a great deal.

During the same period, he added, the country's dependence on the United States as its major export market has also declined from 50 percent to 30 percent.

Li asserted that the ROC economic recession has already "bottomed out," even though the upswing is not [words indistinct] strong as the world recovery is coming slowly. The domestic economic upturn, stimulated by the six [words indistinct] will continue, he said.

Li advised people not to use the world's economy to judge ROC economic prospects. "It is no longer the time to look to others" for economic development, he concluded.

Dual-Nationality Persons Barred From Public Office

*OW1603053191 Taipei Domestic Service in Mandarin
2300 GMT 14 Mar 91*

[Text] After an animated discussion on 14 March, the special group engaged in studying the election and recall rules under the Central Election Commission decided to add a provision to the rules; those of dual nationality are not permitted to hold public office at the central and local levels. It was also decided that if an Overseas Chinese with a foreign nationality is elected a parliamentary member, he should renounce that foreign nationality before he assumes the post to which he is elected. Failure to do so within the prescribed time will nullify his election and disqualify him for the post.

An official of the Central Election Commission said after the 14 March meeting that with the adoption of the aforementioned decision, there will be no more overseas-elected assemblymen and legislators with double nationality in the second term of the National Assembly and the Legislative Yuan. Dual-nationality overseas-elected assemblymen and legislators previously guaranteed by the temporary provisions will become a thing of the past.

KMT Appoints New Ambassador to Vatican

*OW1703000291 Taipei International Service in English
0200 GMT 15 Mar 91*

[Text] The Central Standing Committee of the ruling Kuomintang [KMT] Wednesday decided to replace the current ROC [Republic of China] Ambassador to the Vatican with a new diplomat.

Chou Shu-kai, who has been stationed in the Vatican for more than 13 years, will be succeeded by Huang Hsiujih, the incumbent director of the Foreign Ministry's Protocol Department.

Huang, a graduate of the National Chengchi University's Political Science Department, obtained his doctoral degree in international law from Paris University. Huang's wife Chang Ying-chen is a professor of political science at National Taiwan University.

Foreign Ministry officials said the appointment has been delayed due to speculations that the Vatican may downgrade its relationship with Taiwan by rejecting the new ambassador in order to elevate its ties with Mainland China.

Belgian Firms Urged To Aid Six-Year Development Plan

*OW1603105691 Taipei CNA in English 1010 GMT
16 Mar 91*

[Text] Brussels, March 15 (CNA)—The Republic of China [ROC] on Taiwan welcomes Belgian high-tech firms to participate in the implementation of its three-thousand billion U.S. dollar six-year national construction plan, Benjamin Lu [Lu Chao-chung], permanent representative of Taipei Economic and Cultural Office (TECO) in Brussels, said Friday.

Lu made the statement at a seminar of the Taipei Business Club which was held at the Sheraton Hotel under the sponsorship of the Far East Trade Service [FETS] here. Some 100 celebrities from the leading Belgian industrial and trade firms as well as resident Chinese businessmen from Taiwan attended the two-hour gathering.

TECO is organizing a special task force to provide related information services to Belgian enterprises, Lu said.

Liu Chung-yi, director of the Taiwan Trade Center (TTC) in Rotterdam, also spoke at the seminar to introduce TTC services.

Liu disclosed that through TTC assistance, more than 110 leading Dutch firms have set up branch offices in Taiwan and 62 Taiwan manufacturers have opened setups in Holland.

Expressing his belief that the number of ROC investors in European Community countries would increase very rapidly with the approach of the single European market in 1992, Liu urged Belgium to offer incentive measures to attract ROC enterprises.

Taipei Business Club was founded last July by Benjamin Lu, then FETS director, to promote friendship and understanding among ROC and Belgian business circles.

Survey Shows Stable Growth in Information Industry

*OW1703214091 Taipei CNA in English 1534 GMT
17 Mar 91*

[Text] Taipei, March 17 (CNA)—The production value of the Republic of China's [ROC] information industry in 1990 totaled 6.15 billion US dollars, according to a survey released Sunday.

The survey made by the Market Information Center of the Institute for Information Industry indicated the ROC was the world's biggest exporter of such computer

products as main boards, mice, color monitors, image scanners, key-boards and drawing cards in 1990.

The center predicted that the annual growth of the industry's production value will reach 13.5 percent in 1991, the same as last year's growth rate.

Statistics Show Growth in Indirect Exports to China

*OW1803175891 Taipei CNA in English 1509 GMT
18 Mar 91*

[Text] Taipei, March 18 (CNA)—Indirect exports from Taiwan to mainland China via Hong Kong in January grew 78 percent over the same month of last year, and imports grew 65 percent, the Board of Foreign Trade (BOFT) said Monday.

Quoting Hong Kong customs statistics, BOFT reported that Taiwan's exports to the mainland amounted to 340 million US dollars during the month and imports, 80 million US dollars, for a two-way trade of 420 million US dollars, up 75.9 percent over the previous year.

Industrial materials and parts are the bulk of Taiwan exports to the mainland, while herbal medicines and feathers are the major imports.

Man-made fibers, machinery equipment, electric and electronic parts and components, and plastic materials account for 68.35 percent of Taiwan exports to the mainland, BOFT noted.

The monthly trade volume is the largest in recent years except for last November, an indication that cross-Taiwan Strait trade can be expected to remain brisk in the months ahead.

Agricultural Cooperation Pact With Grenada

*OW2103181591 Taipei CNA in English 1459 GMT
21 Mar 91*

[Text] Taipei, March 21 (CNA)—The cabinet Thursday approved an agricultural cooperation agreement between the Republic of China [ROC] and Grenada.

Under the two-year pact, the ROC will send a mission to help the Caribbean nation establish model farms and provide Grenada farmers with know-how in fishing, aquaculture, horticulture, hog raising and soil conservation.

The accord was signed in St. Georges Feb. 22 by ROC Ambassador Liu Po-lun and Grenada Prime Minister Nicholas Brathwaite on behalf of their respective governments.

The agreement will be automatically extended for two more years after it expires.

Industrial Production Rises Over 6 Percent First 2 Months

*OW2203041991 Taipei CNA in English 0251 GMT
22 Mar 91*

[Text] Taipei, March 22 (CNA)—Industrial production in the Republic of China rose 6.26 percent in the first two months of 1991 after seasonal adjustment, the government statistical agency reported Thursday.

Of the four major industrial sectors, manufacturing output increased six percent during the two-month period over a year ago; utilities registered a 7.49 percent rise; construction grew 16.16 percent; while mining industry declined 16.61 percent.

In the manufacturing sector, heavy industry production picked up 8.71 percent and light industry output climbed 2.84 percent. Chemicals, basic metals, electric appliances and electronics reported remarkable growths; while textiles, transportation equipment and garments posted negative growths.

Sony To Set Up Technology Development Center

*OW2303172391 Taipei CNA in English 1509 GMT
23 Mar 91*

[Text] Taipei, March 23 (CNA)—The Sony Group of Japan plans to set up a technology research and development center in Taiwan, the China External Trade Development Council [CETRA] reported Saturday.

The Japanese electronics giant will also establish an international capital equipment purchasing center in Taipei to boost the sales of Taiwan-made products to Japan and other parts of the world, a CETRA official said.

Li Shang-chia, chief executive of the CETRA responsible for promoting exports to Japan, said Sony Video Co., Sony [word indistinct] owned subsidiary in Taiwan, will take charge of the planned technology development center.

The new organization will help train technical manpower and transfer Japanese-developed industrial know-how to Sony's joint-venture partners here, Li explained.

Li continued that Sony will make Taiwan its major production and exporting base in its global business system.

More than 130 Taiwan companies have expressed interest in cooperating with Sony, Li reported.

Li said that Sony's plans mark a new milestone in industrial cooperation between Taiwan and Japan. He hoped more Japanese business groups will follow suit to help uplift the Taiwan economy.

Economic Dependence on Foreign Trade Declines

*OW2403180891 Taipei CNA in English 1554 GMT
24 Mar 91*

[Text] Taipei, March 2 (CNA)—The Republic of China [ROC] economic dependence on external trade continues to decline and is [word indistinct] to drop further in the years ahead, a ranking economic planning official said over the weekend.

Chang Wen-po, director of the Council for Economic Planning and Development's Overall Planning Department, said exported and imported merchandise and services accounted for 87.22 percent of the ROC's gross national product in 1990.

The ratio is expected to fall to 87.19 in 1991, the lowest in 20 years, Chang predicted.

The ROC's reliance on foreign trade started to surge in 1968 when an export-oriented policy was adopted. [passage indistinct]. The figure shot up to 106.41 in 1970 [words indistinct] worldwide oil crisis and a ratio of about 95 was maintained for many years thereafter, he noted.

Foreign trade-dependence dropped sharply in 1989 to 90.9, "significantly lower than 1988's 96.03." This, Chang said, was made possible by an expanded domestic demand that followed in the wake of work of several huge construction programs. The increase in domestic demand will diminish the likelihood of friction with the nation's trade partners and will cushion the impact of international economic slumps on the Republic of China, Chang said.

Investments Abroad Top \$10 Billion in 3 Years

*OW2403181791 Taipei CNA in English 1533 GMT
24 Mar 91*

[Text] Taipei, March 24 (CNA)—The Republic of China [ROC] has become an international investment powerhouse with investments abroad estimated to be over 10 billion U.S. dollars during the past three years.

The bulk of the investments, however, was not made through official channels, and made it difficult for the government to help investors realize greater returns, said an official.

Officially approved ROC investments in Southeast Asia totaled 863 million U.S. dollars in the past three years. The figures would marvelously rise to 8,861 U.S. dollars million if calculated on the basis of statistics by the authorities in the region.

The figure would further rise to top 10 billion U.S. dollars if indirect investments made in mainland China were included, officials said.

Shipbuilding Ranks Sixth in World

*OW2503035091 Taipei CNA in English 0259 GMT
25 Mar 91*

[Text] Taipei, March 25 (CNA)—The China Shipbuilding Corporation (CSBC) ranked sixth among world's shipbuilders in 1990 in new orders, up from 1989's eighth place.

World orders last year stood at 1,079 new ships with a total 39.87 million dead weight tons, an increase of 38 percent, China shipbuilding said Monday.

Eleven new shipbuilding orders for a total of 946,800 dead weight tons came to China Shipbuilding, up three percent over 1989.

Japan, world's largest shipbuilding country, booked 422 new shipbuilding orders for a total of 17 million dead weight tons. Second place came to South Korea with 88 new shipbuilding orders for 10.08 million dead weight tons.

The China mainland ranked fifth by recording 39 new shipbuilding orders for 1.23 million dead weight tons, five times higher than in 1989.

Industrialists Meet in Paris

*OW2503191791 Taipei CNA in English 1430 GMT
25 Mar 91*

[Text] Paris, March 25 (CNA)—A Sino-French industrial technology cooperation and investment seminar opened in Paris Monday.

The Republic of China [ROC] delegation, headed by Yang Shih-chien, director of the Industrial Development Bureau of the Economics Ministry, is composed of more than 70 representatives of the aerospace, information, telecommunications, biotechnology, industrial ceramics, environmental protection and electronics.

The seminar is the biggest such contact ever established between Taipei and Paris, which do not have diplomatic relations.

The ROC delegation comes less than three months after French Industry Minister Roger Fauroux touched off a protest from Peking by visiting Taiwan, which French industrialists increasingly see as a potential market for their products and services.

France is vying to secure the contract for the planned high-speed train system in Taiwan.

Ministry Official States Economy Shows 'Marked Growth'

*OW2703230791 Taipei CNA in English 1544 GMT
27 Mar 91*

[Text] Taipei, March 27 (CNA)—The Republic of China's [ROC's] economy is turning for the better with

marked growth in exports and industrial output, the Ministry of Economic Affairs said Wednesday.

Vice Economics Minister P.K. Chiang said that ROC exports grew 11.3 percent in the first two months of the year and industrial production was growing at an annual rate of 6.26 percent. Electricity consumption for industrial use increased 9.8 percent. All signs show an upturn in the economy.

Further more Chiang said that [word indistinct] capital for new companies [word indistinct] companies also grew 26.52 percent during the Jan.-Feb. period.

European Centers To Be Established To Learn Product Design

OW2703142891 Taipei CNA in English 1109 GMT 27 Mar 91

[Text] Taipei, March 27 (CNA)—Under a "mini-Europe" plan, Republic of China authorities will set up centers in three European cities to learn about trends of product designing firsthand and help Taiwan manufacturers enter into cooperation with brand-name firms.

This was revealed Wednesday by Vice Economic Affairs Minister Pin-kung Chiang after a meeting at the ministry when the work so far done on the project was reported.

The "mini-Europe" concept was first conceived in Taipei's effort to reduce its trade imbalance with Japan by doing more business elsewhere. The idea is to work with European concerns for the making or processing in Taiwan of goods exportable to Japan.

The ministry has so far chosen 21 domestic manufacturers in the textile, leather, shoe, sporting goods and furniture fields for possible joint ventures with 12 makers in Great Britain, France, Italy, and Switzerland.

Vice Minister Chang said the first of the projected three design centers will be set up in Dusseldorf of Germany this April. The other two will be in Paris and Milan in due course, he added.

Fuzhou TV Station To Transmit to Taiwan

HK2803022991 Hong Kong HONGKONG STANDARD in English 28 Mar 91 p 6

[By S.L. Law]

[Text] China plans to establish a television station in Fuzhou to increase reunification broadcasts to Taiwan.

Under the plan, the Voice of the Strait radio station would be transformed in to a television station with special propaganda responsibilities on reunification.

the Strait Television Broadcasting Company would be the first of its kind in China.

The deputy director of the Voice of the Strait, Lin Ziyong, yesterday said the plan was a result of increasing interest in the mainland by compatriots in Taiwan.

"We hope to provide compatriots with a better information service through more diversified channels," Mr Lin said.

The project was said to involve an initial investment of 40 million yuan (HK \$64 million [Hong Kong dollars]).

To prepare for television broadcasts, a satellite station is being built in Fujian province and is scheduled to be operational next year.

Mr Lin said the management team for the television station would include representatives from the army, similar to the structure of the radio station.

"Our station was in the past an army set-up," he said, but added that the role of the army had been reduced in recent years.

Mr Lin said the Taiwan Affairs Office under the State Council would not be involved in the project.

He declined to say when the television station would become operational.

The Voice of the Strait started operation in 1958 as the second station providing broadcasts to Taiwan.

The station runs a 24-hour service with special emphasis on news programmes about the mainland.

New Working Group To Deal With USSR Relations

OW3003101391 Taipei Domestic Service in Mandarin 2300 GMT 28 Mar 91

[Text] A working group under the Executive Yuan to deal with matters related to the Soviet Union was formally established yesterday [28 March]. At the first meeting of the working group attended by representatives of various ministries and commissions related to external affairs, the participants decided that the development of relations with the Soviet Union would concentrate on nonofficial business. After extensively exchanging opinions, the participants decided on some specific goals and reached a conclusion, including the establishment of an office of the Foreign Trade Association in Moscow within a few months, the signing of a ROC [Republic of China]-USSR fishery agreement through relevant channels, and the strengthening of economic and trade relations with the Soviet Union through two-way trade.

The working group was established in accordance with a decision made at the report meeting on work related to external affairs presided over by Premier Hao Po-tsun on 7 January this year. Vice Foreign Minister Chang Hsiao-yen will be the convener of the working group. Departments taking part in the working group include Ministries of Foreign Affairs, National Defense, Economic Affairs, Finance, Education, and Communications; the Agricultural Planning and Development Commission; the Central Bank; the National Science Council;

the National Security Bureau; and the Foreign Trade Association. The principal goal of the working group is to coordinate work of various units in developing relations with the Soviet Union. Owing to the numerous domestic problems in the Soviet Union, we do not expect to make any progress in developing official relations with the Soviet Union at the present stage. Relations between the two sides will be established at a nongovernmental level. In principle, the working group will hold one meeting every month. Participation and frequency of the meetings will be adjusted according to the situation.

Japanese Temple To Unveil Plaque From Li Teng-hui

*OW3003193691 Taipei CNA in English 1153 GMT
30 Mar 91*

[Text] Tokyo, March 30 (CNA)—The unveiling ceremony for a wooden plaque presented by President Li Teng-hui of the Republic of China [ROC] to Kannon-Fukujuin, a goddess of mercy temple at Hakone to the west of Tokyo will take place Monday morning.

The plaque, with inscribed characters meaning "sacred virtue reaching east (sheng-teh tung-tsun)," has been presented by President Li to the temple in celebration of the dedication there of an altar for Bodhisattva Matsu.

A Matsu pilgrim mission from the ROC on Taiwan, including Li Ching-lung, father of the president, arrived in Tokyo Wednesday. They will take part in a festival parade at Hakone Sunday afternoon, attend the unveiling ceremony at 10 A.M. Monday and an international goodwill party at Hakone immediately afterward.

Matsu, a deity popular in Taiwan, is known as "goddess of the sea."

Government Not To Import Foreign Workers

*OW3003194791 Taipei CNA in English 1500 GMT
30 Mar 91*

[Text] Taipei, March 30 (CNA)—The Executive Yuan said Saturday that it would not be appropriate for the Republic of China to import foreign workers at the present time.

In a written reply to an interpellation by Legislator Chen Kwei-miao, the Executive Yuan said careful studies by government agencies have indicated that import of foreign workers at the present time could cause various problems for the country.

However, the government has adopted regulations governing the imports of foreign workers for public construction projects on a case-by-case basis.

Regulations to govern the hiring of foreign and mainland Chinese workers by Republic of China fishing boats are being studied by authorities concerned, the Executive Yuan added.

Exports to U.S. Decline

*OW0104105691 Taipei CNA in English 0836 GMT
1 Apr 91*

[Text] Taipei, April 1 (CNA)—Republic of China [ROC] exports to European and Southeast Asian countries increased in the first two months of this year while exports to the United States declined, the Board of Foreign Trade (BOFT) reported Monday.

ROC exports to the United States, the largest export market for ROC products, totaled 3.2 billion U.S. dollars in the first two months of 1991, a 5.8 percent decline compared with the same period of last year. That figure accounted for 29 percent of the nation's total exports.

ROC exports to Europe amounted to 2.3 billion U.S. dollars in Jan-Feb. period, a 25.5 percent increase over the same period of the preceding year while exports to Southeast Asian countries totaled 2.6 billion U.S. dollars, a 36.9 percent increase.

BOFT said the increase in exports to Europe and Southeast Asian countries and the fall in exports to the U.S. show that the ROC's efforts to diversify its export market have paid off.

Cabinet Endorses Taipei-Seoul Pact on Customs Clearance

*OW0104100791 Taipei CNA in English 0908 GMT
1 Apr 91*

[Text] Taipei, April 1 (CNA) —The cabinet Monday endorsed an agreement between the Republic of China [ROC] and South Korea on simplifying customs clearance procedures for temporary admission.

Under the agreement, Taipei and Seoul will exempt import duties on temporary admission of goods from each other country according to agreement on temporary admission for customs clearance (ATA).

The agreement was reached Nov. 28, 1990. The ROC is not a signatory to the multinational ATA convention which regulates temporary customs clearance.

Bankers Association Signs Mexico Cooperation Agreement

*OW0204120191 Taipei CNA in English 0754 GMT
2 Apr 91*

[Text] Taipei, April 2 (CNA)—The Bankers Association of the Republic of China [ROC] and its Mexican counterparts signed a cooperative agreement Tuesday to meet the needs arising from closer trade relations between Taiwan and Mexico.

Two-way trade between the two countries totaled 459 million U.S. dollars in 1990. The ROC's main export items to the Latin American country include electronic products, electrical appliances, textiles and machinery.

Taiwan's investments along the Mexican border with the United States have grown markedly in recent years.

Economics Ministry Drafts Plan for Foreign Expertise

*OW0204120891 Taipei CNA in English 0842 GMT
2 Apr 91*

[Text] Taipei, April 2 (CNA)—The Ministry of Economic Affairs [MOEA] has drafted a "master plan" for introducing foreign technology to help accelerate technological development in the Republic of China.

Ministry officials said the plan had been submitted to the Executive Yuan (cabinet) for approval, and is expected to be implemented in 1992.

Under the proposed plan, individual industrial associations will be authorized to assess and import needed foreign knowhow with the assistance of research institutes.

MOEA divides the master plan into four sub-plans, which call for information service and technological assistance to manufacturers.

MOEA also plans to help local industries form joint development ventures with foreign companies so as to shorten the time needed for R&D work.

The ministry hopes that the plan will help ROC businesses create new products and increase investment opportunities.

Premier Orders Ministries To Encourage Private Investment

*OW0204120791 Taipei CNA in English 0839 GMT
2 Apr 91*

[Text] Taipei, April 2 (CNA)—Premier Hao Po-tsun Monday ordered Finance and Economic Affairs Ministries to work to enhance private investment willingness to sustain the country's economic development.

The ministries should also work to accelerate industrial upgrading to ensure that the national economy continues on the right track, the premier added.

Hao made the instructions after hearing a report by Chairwoman Shirley Kuo of the Council for Economic Planning and Development on the country's economic performance in the first two months of this year.

Kuo said world economic prospects are becoming rosier with the ending of the Gulf war, and the domestic economy is also taking a turn for the better.

Industrial production, foreign trade and new factory orders have all increased in the January-February period and domestic commodity prices have also stabilized, Kuo reported.

With the end of the Gulf war, Kuo said, international oil prices have continued to decline, reducing inflationary pressure for many countries in the world.

Ministry Seeks To Narrow Trade Gap With Japan

*OW0304102891 Taipei CNA in English 0740 GMT
3 Apr 91*

[Text] Taipei, April 3 (CNA)—The Ministry of Economic Affairs (MOEA) Tuesday called on executives of 30 leading Japanese trading firms to enlist their help in narrowing the growing trade gap between the Republic of China [ROC] and Japan by purchasing more products here.

To further boost Taiwan products in Japan, Vice Economic Affairs Minister P.K. Chiang said MOEA will help fund Japanese companies holding Taiwan machinery exhibitions and Taiwan product shows around Japan.

Chiang also called on the Japanese to help train ROC talent specializing in trading with Japan.

The Republic of China suffered a trade deficit of 7.7 billion U.S. dollars with Japan in 1990 and the figure is expected to increase this year, Chiang said.

The Japanese representatives at the meeting suggested that ROC manufacturers upgrade product quality, speed up automation in production, and improve after-sale services in Japan.

Six Contagious Diseases (Wiped Out)

*OW0604091791 Taipei CNA in English 0847 GMT
6 Apr 91*

[Text] Taipei, April 6 (CNA)—Pest, yellow fever, and relapsing fever were stamped out as long ago as 1951, and three other contagious diseases have also disappeared or almost disappeared in Taiwan, according to the Taiwan provincial department of health.

The department said smallpox and rabies were wiped out in the Taiwan area in 1954 and 1958, and cholera has not caused any deaths since 1962.

Statistics released by the department show that there were 383 cases of cholera in 1962, which resulted in 24 deaths. A few people were stricken by the disease in 1982, but an epidemic did not develop.

In 1954, one of nine persons who had contracted smallpox died. The disease has not been reported since.

Rabies killed more than 100 people in Taiwan in 1952. Between 1953 and 1957, some 50 deaths from the disease were reported annually. The number fell to six in 1958. The disease became extinct the following year.

Six other officially listed contagious diseases in Taiwan are shigellosis, typhoid, typhus, diphtheria, scarlet fever, and Japanese encephalitis.

Budget Increases Indirect Taxation

HK0703011391 Hong Kong SOUTH CHINA
MORNING POST in English 7 Mar 91 p 1

[By business editor Ian K. Perkin]

[Text] Taxpayers were spared salary and corporate tax increases in Sir Piers Jacobs' fifth and final Budget yesterday, but they were hit just about everywhere else.

Smokers, drinkers, drivers, home-owners and travellers were all on the receiving end of another round of increases in indirect taxes.

These could cost average families between \$5,000 and \$8,000 a year, depending on their individual spending patterns.

But it was the smokers who received the near-knockout blow when, in a piece of social engineering more reminiscent of Singapore or Scandinavia, he announced a huge rise in tobacco taxes, to entice people to stop smoking.

Taxes on tobacco products have been increased by 200 percent and will increase the price of a packet of cigarettes to \$20 from the present price of between \$12 and \$13 a packet.

The decision by Sir Piers to increase taxes was for health reasons, not to raise revenue, and was in direct response to a plea from the Secretary for Health and Welfare, Mrs Elizabeth Wong Chien Chi-lien.

"It has been put to me persuasively that for health reasons a hefty increase is now justified," he said.

The new measure will bring in additional revenue of \$1.9 billion to the Government, the biggest rise for any indirect tax increase and half the \$4 billion in new revenue being raised by the Budget.

Sir Piers' last Budget before his retirement was heavily oriented towards placating China's concerns over the territory's financial health as the Government gears up to fund the vast projects related to the new airport and port development.

His remarks were peppered with references to Hong Kong's financial power as he emphasised his three themes of control of public spending, financial strength and prudent borrowing.

"My proposals overall should maintain our strong fiscal position throughout the coming year and enable us to face the future with confidence," he said.

Sir Piers abandoned his normal Budget speech structure to place greater emphasis at the beginning on spending control—civil service numbers are to increase just 0.8 percent to 162,000—and financial strength.

He also used the new structure to announce the introduction of a program of government bond issues which will be used to raise additional money for capital projects, mainly the new airport and related projects.

These bond issues are expected to begin in autumn this year, will be of limited maturity or duration—two or three years—and will start modestly with the issue of \$500 million to \$1 billion at a time.

The Government is understood to have decided to proceed cautiously with the bonds program because of concerns about mainland reaction to any larger amounts and any program that extends beyond 1997.

"I firmly believe that borrowing, properly managed, will be a valuable tool in the context of good financial management," Sir Piers said.

All in all, Sir Piers' package is designed to bring in \$4 billion in new revenue, mainly from higher indirect taxes, and only forego \$840 million in tax and duty concessions for the 1991-92 financial year.

The overall Budget is predicted to produce a modest surplus of \$1.3 billion after Sir Piers ended the current year only \$150 million in the black, well below his original prediction of \$720 million.

In other indirect tax moves:

- Petrol and diesel fuel prices will rise as a result of a five percent increase in duties on hydrocarbon oils. An increase of 10 percent was under consideration before the Gulf-inspired rise in oil prices late last year.

- Duties on alcoholic beverages are up 15 percent and those on cosmetics have been increased 20 percent.

- The airport departure tax has been increased by 50 percent to \$150 from \$100 previously, although the \$50 charge for children has been removed.

- First vehicle registration and vehicles' and drivers' licences have all been increased, and toll charges for the Aberdeen and Shing Mun tunnels have been increased 66 percent to \$5 from \$3 previously.

- Transfer of vehicle ownership will now cost \$250 for cycles and \$1,000 for other vehicles. Both are up from a mere \$50 previously.

- Property owners have also been hit by an increase in the average rateable values for properties of 65 percent. This has been moderated by a drop in the percentage rates charge to an average 5.5 percent from 7.5 percent and a requirement that no rates can rise more than 25 percent over last year. This will mean that the average rate increase for a small private flat will be \$38 a month and for a large flat, about \$137 a month.

- Restricted bank and deposit taking company licences rise 40 percent.

- But the stamp duty on share transactions has been cut marginally to 0.5 percent from 0.6 percent, or \$5 for every \$1,000 worth of shares trade, rather than \$6.

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